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• In the Record •

Paying the Executive

Back in grandfather's day, compensating the executive was a simple matter. You gave him a raise in salary—which meant he was financially better off than he was before. Today, raises alone don't work any more. The high cost of living and staggering tax bites have forced companies to seek other means of rewarding their executives.

"Problems of Executive Compensation," a round table discussion, looks at different aspects of stock options, deferred compensation and bonuses as ways of boosting executive income. Do these new plans really work? Do they mean that a company can hold its top men, or attract the right kind of replacements when necessary? These and other questions involved in newer and more complicated methods of compensation are found in the round table report, starting on page 74.

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Labor's Top Men

1952 saw sweeping changes in the names and faces of labor's top leadership. George Meany and Walter Reuther replaced William Green and Philip Murray as top men of the AFL and CIO. Three of the four biggest unions in the country elected new presidents. Among labor's men of power in the early New Deal days, only John L. Lewis is left.

How these new leaders, trained in union affairs during twenty years of Democratic administrations, will react in a Republican environment is a source of conjecture to many. The past experiences and influences which shaped them are summarized in "Labor's New Leadership," on page 93.

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After the Survey Is Over

It's always interesting to find out what the other fellow is thinking about. His hopes, ideas and grievances make good reading. But where do you go from there? Do you make use of what you've learned? That is the payoff question when a company makes an attitude survey. Will it really put the survey results to work?

In the opinion of the Thomas J. Lipton company, an employee attitude survey is a springboard for making something right when it has been wrong, or good when it has only been fair. Often employee attitude surveys reflect praise of the company's good points; sometimes they indicate gripes; but no matter which, there is usually something concrete the company can do to improve the vacation system, the cafeteria or other things important in employee relations. The experience in "follow-through" of the Lipton company can be read in "Putting Employee Attitude Survey Results To Work" on the next page.

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Proposed Changes in T-H Act

Senator Taft's proposals for revision of the act that bears his name would make material changes in the labor law of the land.

To give a clear picture of just what these revisions are and what they would mean, "Taft's Proposed Amendments to the T-H Act" (page 69) is set up in a special way. The original section of the T-H Act that would be changed is given; then the proposed amendment follows (both in small type, for the serious student of labor relations). For the interested-but-less-conscientious reader, a simple explanation of the revision, its implications, and reactions to it are given in larger type under the heading "Remarks."

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Wages and Salaries

Clerical salaries rose from 2% to 10% between October, 1951, and October, 1952, according to the Board's regular annual survey. Stenographers and typists made the best gains; billing machine operators showed the smallest increase. Brief highlights of the survey are given in "Review of Labor Statistics," starting on page 88.

General wage increases granted in 1952 were of more modest size than in the last few years, according to a special article, "Wage and Salary Settlements—1952" (page 78). Across-the-board increases of a nickel an hour were the most prevalent. Generally, money increases were tied in with more liberal fringe benefits. Details are given in the tables and charts accompanying the article, prepared by members of the Statistical Division.

Putting Attitude Survey Results To Work

Making an attitude survey is just the first step. What a company does after that really tells the story

I DIDN'T THINK much about the survey one way or the other until a month ago. Then the company started doing something about it and I got interested. I learned what the people in my own department were thinking about different company matters. There were some things that needed attention. We've already started to follow through. Yes sir, I'd say the survey has been definitely helpful to us."

The personnel director agreed with this department head, but expressed his ideas in somewhat different terms. "An employee attitude survey is largely a waste of time and money," he pointed out, "unless it is followed by positive action. We regard a survey as a management tool. It contains definite suggestions for making improvements. It indicates to supervisors how things are going from the viewpoint of their workers. It shows them where their workers are uninformed or misinformed. Corrective measures can be instituted. In brief, we look upon a survey as a training tool—an unusually effective training tool. Much supervisory training today is too general to do much good. It is done in groups and each supervisor is likely to say to himself, 'That's all right for the other guys but it doesn't apply to me.' When a supervisor sees the results of an attitude survey, brought right down to his own group, he *knows* that they apply to him. He can't dodge them. The implications, good or bad, are inescapable."

These comments—the one from a department head and the other from a staff executive—give some idea what two individuals at the home plant of Thomas J. Lipton, Inc.[1] in Hoboken, New Jersey, think of employee attitude surveys and the importance they attach to follow-through.

In 1949, the company made its first survey in the Hoboken plant. Although it analyzed the findings carefully, it did little or nothing by way of follow through, feeling that it would be premature to take action on a single set of figures. In March, 1952—just one year ago—it again surveyed attitudes among its employees. (Separate forms were used for sales personnel, plant and supervisory employees.) It has been following through on this survey ever since, and is not yet ready to say that the job has been completed.

"When the results from the second survey came in," a Lipton executive explained, "we could see at a glance what had happened during the three-year interval. We now had a 'moving picture' of our organization. In some particulars we had gone ahead, but in others we had stood still or fallen back. As a result of the two surveys, we felt we had a blueprint for action. Whereas it did not seem to us that the first survey called for a follow-through, we all agreed that a follow-through was imperative after the second one."

The company soon discovered that deciding to follow through is one thing and deciding just *how* to follow through is quite another. Business organizations have been making surveys among their employees for twenty-five years or more, but the literature about these surveys offers only sketchy information on the subject of follow-through.[1] The officers at Lipton, finding few guideposts, set about to develop their own procedures.

TWO THINGS TO DO

First, they decided they wanted to do two things. They wanted to report the findings to all who participated in the survey and they wanted to take remedial action where such action seemed to be indicated.

The findings were publicized in a four-page letter mailed to the homes of the employees and through a series of meetings attended by all supervisors and department heads. Approximately 1,100 employees and 100 supervisors and department heads participated in the surveys, and all were informed of the results. In addition, 390 salesmen and 128 sales office personnel were reached in their own districts by means of a separate letter.[2] In the letter to the salesmen, the company indicated that action had been taken during the interval between the time the survey was made

[1] Packers of Lipton tea, soup mixes, and dessert mixes.

[1] Follow-through is not mentioned at all in some reports on attitude surveys. In "Experience with Employee Attitude Surveys," *Studies in Personnel Policy*, No. 115, published by THE CONFERENCE BOARD in 1951 and based on information supplied by 11 companies, four pages out of 120 are devoted to "Applying the Results."

[2] Thus far, employees at Lipton's home plant in Hoboken and their sales personnel have received the results of their respective surveys. The better part of a year had elapsed before the salesmen learned of the results of their survey. The company regards this as too long a time. It is expected that as other divisions of Lipton are surveyed the results of the surveys will be presented to employees more promptly.

ıd the results were announced. For example, the ›mpany explained in one paragraph that:

"The survey indicated that a sufficiently large number of salesmen were dissatisfied with the vacation plan which was in effect at the time. People who live in the South seem to have different seasonal vacation preferences than those who live in colder sections of the country. We have studied the results of the survey on this particular question and, as you know, the vacation plan has been revised. Now each sales division selects the vacation season which is most satisfactory to its own personnel."

The report to the Hoboken employees was made ve months after the survey had been completed. Spe- al comment was made on the following subjects:

Cafeteria—90% of the employees felt that considerable improvement had been made in the amount of table space, variety, and price of food since 1949 when the first survey was made. Some criticisms and suggestions were offered, and the company has gone to work on them wherever possible.

Christmas Party vs. Turkeys—The employees prefer the latter. The expense is about the same to the company. Turkeys will be provided in lieu of a party. The company explained that it was not considering a Christmas bonus—a substitute for the party or the turkey suggested by some employees.

Communications—The company said that it was glad that the employees had asked for more information on company matters. It promised to supply such information and indicated practical ways in which this would be done.

Parking Lot—Quite a little criticism was directed to the practice of charging for parking privileges. The company explained that only 10% of the employees were affected, and that it didn't seem fair to operate this facility free for a small group. The cost of operating the lot was given.

Pension Plan—Almost half the employees indicated a desire to learn more about the company's pension plan. It was announced that a special booklet would be prepared and distributed to all eligible for the plan.

THE FOLLOW-UP BEGINS

All groups—the salesmen, the sales office personnel, he employees and the supervisors—were shown how heir scores compared with "norms" based on the esults of similar surveys at other companies. For exmple, the employees could see how their regard for heir company as a place to work or their rating of heir supervisors compared with the scores made by mployees in other companies who were asked identi- al questions on these subjects.

The supervisors were taken "behind the scenes" and given more information than was revealed to the employees. They were told about the departmental scores, about some of the comments made by the employees, and of the plans the company had to follow through on the survey findings.

Some changes were made promptly after the survey results were known. For the most part, these were company-wide changes. Changes within departmental and supervisory units were not made until interviews had been held with the supervisors concerned. The changes normally were instigated by the individuals themselves, and in no case were they made without

Why Some Surveys Are Filed Away

Why, it may be asked, do companies spend thousands of dollars to make attitude surveys among their employees, and then file the reports away to gather dust?

First, it should be pointed out that some companies —such as the Thomas J. Lipton Company described in this article—*do* follow through effectively. And other companies take at least some action as a result of their surveys.

But it seems true that many companies, perhaps a majority, do not get the benefits from their surveys that they might.

There are a number of reasons for this.

Conflict of interests. A follow-through means hours and hours of executive time. Executives are busy people. They have many responsibilities that cannot be slighted. Although their intentions about the survey may be the best in the world, they may never get around to the follow-through. Other things seem more urgent.

Communication difficulties. A follow-through also means communicating with others. A company may do little about its survey if it lacks good avenues of communication, if it lacks supervisors who can communicate effectively with their workers, and if it lacks someone who is skilled at writing in a way to interest the average employee.

Time lag. It usually is at least a month before the results of a survey are available. During this time, management may cool off. Or it may say, "Things have changed during the past thirty days, so the findings no longer apply."

Lack of know-how. Even the experts agree that it's hard to know just what weight to attach to survey findings. And it's even more difficult to say what action a given company should take as a result of a given set of survey figures. Fearing that they might only aggravate a situation, some companies do nothing.

Worry about reaction of employees. This may occur when the survey results are unusually good or unusually bad. If good, management may hesitate to blow its own horn. If bad, it may reason, "The less said about this survey, the better."

line approval. This phase of the follow-through, relating the survey findings to particular groups and to particular situations, is regarded as especially valuable by Lipton executives.

Each of the twelve department heads was given a graph showing how his department compared with the other departments (unidentified, of course) and with the company as a whole. At the group meetings, a general explanation and interpretation of the survey was given but the company did not feel that this was enough.

It was arranged that the consultant, who had made the survey and who had helped with the group meetings, would spend another six days at the company.

DEPARTMENT HEADS COOPERATE

Several days in advance of his visit, the personnel director would call a department head and say: "Our consultant will be here on Thursday. If you have an hour or two and would be interested in going over the survey with him, particularly the part that applies to your own department, I'll be glad to make an appointment for you." The approach, it will be noted, was entirely permissive. The company did not wish anyone to feel under any compulsion in connection with the survey.

But there was no need for concern about the reactions of the department heads. Without exception they welcomed the opportunity of spending an additional period with the consultant. Each department head now has spent at least one period with him, usually lasting two hours, and several have spent more than one period.

The consultant has taken the position that his chief function is that of interpreting the findings. Inevitably, of course, the department heads have asked his advice on possible changes and other follow-through steps which they had under consideration. He has helped with these matters as far as possible. But he has always reminded the department heads that such decisions are their responsibility and that they should be made in the light of many considerations, not only the survey findings.

The personnel director has sat in on all the conferences of the consultant and the individual department heads. This has had a double advantage. First, the personnel director has learned more of the details of the survey and the reactions of the department heads to the findings. Second, it has been possible for him to emphasize many of the principles of good personnel practice when the discussions got down to the practical problems of follow-through.

When asked about the survey, the department heads had only praise to offer. They were given repeated opportunities to criticize it or to dismiss it with such phrases as "It was all right" or "It was of limited value." But in no instance would they discount the benefits that they had gained from it. Each told of ways that the survey had been of practica help to him. All agreed that the survey revealed nev things and, in addition, confirmed other situations o which they were at least partly aware.

In general, the company stood well on the survey This was gratifying. But equally gratifying to man agement has been the manner in which the survey findings have been understood and put to work. On executive summed up the feelings of the company this way: "Apparently our people regard Lipton's a a good place to work. Most of our scores were goo but, of course, we got some low ones and some criti cisms. We already have taken steps to correct certai situations, and we will take more. As we see it, it' just plain bad business to make a survey and then d nothing about the findings. We regard a vigorous fol low-through as equal in importance to the survey itself, perhaps even more important than merel measuring the attitudes of employees."

STEPHEN HABBE
Division of Personnel Administratio

Management Book Shelf

The Range of Human Capacities—The thesis of this sm book is that the variability of human traits, popular thought to be almost limitless, is quite small. Experiment results among normal people are marshaled to show th the capacities of the most gifted ordinarily do not exce those of the least gifted by more than 2.5 to 1. Implicatio for social groups, including business organizations, are su gested. *By David Wechsler, The Williams and Wilki Company, Baltimore, Second Edition, 1952, 190 pp.*

Sponsored Scholarship Programs—An analysis of 4 scholarship programs, including those sponsored by 2 business firms and associations. Forty-seven of the lat operate their programs through foundations. The stu includes data on the purpose of the scholarships, numb provided, amounts granted, limits and restrictions, eli bility requirements, methods of nomination and selecti and financial administration. A list of corporations wh sponsor scholarship programs is provided. *By Charles Cole Jr. Available free of charge from College Entra Examination Board, 425 West 117th Street, New York New York, 1952, 28 pp.*

The Case Method of Teaching Human Relations and A ministration; an Interim Statement—This book is a mis lany on teaching human relations by the case meth It covers eighteen people who make available their exp ence in applying the case method of teaching hum relations and administration. The authors offer this rep hesitantly as an interim statement until a more thoro and complete analysis is possible. Methods and results explored from several different angles. *Edited by Kenn R. Andrews, Harvard University Press, Cambridge, Ma chusetts, 1953, 271 pp. $4.50.*

Taft's Proposed Amendments to the T-H Act

WITH the new Republican Congress only a few months old, a large number of Senate and ouse bills to amend the Taft-Hartley Act have al-ady been thrown into the legislative hopper. Pro-osals for amending the act fall into four main cate-ories: Senator Taft's amendments; House Labor ommittee hearing amendments; Administration pro-osals now being worked on by a committee estab-shed by Labor Secretary Martin P. Durkin, and enate proposals.

Because he is both an author of the original Taft-Iartley Act and Senate majority leader, Senator 'aft's five bills to amend the act are drawing most ttention. His current proposals, and the sections f the T-H Act that would be affected, are reproduced nd explained below.

The great bulk of these amendments were originally troduced by Senator Taft in 1949.

Some of the 1949 amendments proposed by Senator Taft, however, are conspicuous by their absence, notably those that would: (1) Redefine the terms "employer," "supervisor," and "union agent"; (2) Cede federal jurisdiction to states; (3) Eliminate a section guaranteeing employees their right to refrain from organizing; (4) Legalize union hiring halls; (5) Drop the featherbedding prohibition; (6) Eliminate separate bargaining units for plant guards; (7) Increase the statute of limitation for unfair labor practices from six months to one year; (8) Remove a T-H provision prohibiting the NLRB from ordering reinstatement of employees discharged for cause; (9) Permit the NLRB to appoint outside arbitrators to decide jurisdictional disputes between unions; (10) Remove the T-H ban on political expenditures by unions; (11) Set up a complete new section on national emergency disputes.

Senate Bill 655—The amendments in this section are much the same as contained in Senator Taft's 1949 bill. The one significant difference is in the amendment to the employer free speech section (change 7 below). Altogether S 655 provides for nine amendments to the Taft-Hartley Act. These nine amendments do the following: (1) Permit economic strikers to vote; (2) Remove individual penalties against strikers; (3) Permit NLRB hearing officers to make recommendations; (4) Require employers to take noncommunist oath; (5) Eliminate the so-called "mandatory" injunction; (6) Permit workers to refuse to handle "struck work"; (7) Extend employer free speech provision to cover NLRB representation elections; (8) Permit an employer to discharge employees expelled from the union on charges of communism; (9) Permit a union to seek discharge under its union security clause of workers it expelled for communist membership; (10) Ease a union's paper work by eliminating the requirement that a union file an analysis of its constitution and by-laws with the Secretary of Labor.

hange 1—Permits Economic Strikers to Vote

Taft-Hartley Act—"9 (c) (3) No election shall be directed in any rgaining unit or any subdivision within which, in the preceding elve-month period, a valid election shall have been held. mployees on strke who are not entitled to reinstatement shall not eligible to vote. In any election where none of the choices on e ballot receives a majority, a run-off shall be conducted, the llot providing for a selection between the two choices receiving e largest and second largest number of valid votes cast in the ection."

Amendment—Would delete this sentence: ("Employees on strike ho are not entitled to reinstatement shall not be eligible to vote.")

Remarks—

Section 9 (c) (3) of the T-H Act provides that employees on strike who are not entitled to reinstatement (economic strikers) shall not be eligible to vote in representation elections. Taft says that "this is the amendment referred to by General Eisenhower as necessary to prevent the possible use of the law as union busting."[1] Taft's amendment would delete this section and in effect would leave "the question of eligibility to the National Labor Relations Board."[1] Both the AFL and the CIO support this change.[2] The AFL also asks that strike replacements be forbidden to vote.[3] [*All footnotes will be found on page 115.*]

Change 2—Removes Individual Penalties Against Strikers

Taft-Hartley Act—"8 (d) . . . Any employee who engages in a strike within the sixty-day period specified in this subsection shall lose his status as an employee of the employer engaged in the particular labor dispute, for the purposes of sections 8, 9, and 10 of this act, as amended, but such loss of status for such employee shall terminate if and when he is reemployed by such employer."

Amendment—Would delete this portion of section 8(d).

Remarks—

The act requires that either party to the contract notify the other party in writing of a proposed termination or modification sixty days prior to the contract's expiration. During this time strikes and lockouts are prohibited. The present act provides that individual employees who strike during the sixty-day period shall lose status as employees and lose the protection of the act. The amendment removes this penalty against individual strikers, but retains penalties against the union and the employer. The CIO says that this change "is desirable, although not of major significance."[2]

Change 3—Permits NLRB Hearing Officers to Make Recommendations

Taft-Hartley Act—"9 (c) (1) Whenever a petition shall have been filed, in accordance with such regulations as may be prescribed by the board. . . .

"The board shall investigate such petition and if it has reasonable cause to believe that a question of representation affecting commerce exists shall provide for an appropriate hearing upon due notice. Such hearing may be conducted by an officer or employee of the regional office, who shall not make any recommendations with respect thereto."

Amendment—Would delete final clause: ("who shall not make any recommendations with respect thereto.")

Remarks—

The present act provides that in representation cases, hearing officers shall not make recommendations. The 1947 hearings on the T-H indicate that this was to prevent abuses arising out of recommendations made by partisan hearing officers. Taft's amendment would remove this prohibition. His reason for removing this prohibition on hearing officers is to "expedite case handling by the NLRB."[1]

The CIO says that this change is "probably desirable." The CIO, however, wants Congress to restore to the NLRB the right to conduct prehearing elections.[2]

Change 4—Requires Employers to Take Noncommunist Oath

Taft-Hartley Act—"9 (h) No investigation shall be made by the board of any question affecting commerce concerning the representation of employees, raised by a labor organization under subsection (c) of this section, no petition under section 9 (e) (1) shall be entertained, and no complaint shall be issued pursuant to a charge made by a labor organization under subsection (b) of section 10, unless there is on file with the board an affidavit executed contemporaneously or within the preceding twelve-month period by each officer of such labor organization and the officers of any national or international labor organization of which it is an affiliate or constituent unit that he is not a member of the Communist party or affiliated with such party, and that he does not believe in, and is not a member of or supports any organization that believes in or teaches, the overthrow of the United States Government by force or by any illegal or unconstitutional methods. The provisions of section 35 A of the Criminal Code shall be applicable in respect to such affidavits."

Amendment—"9 (h) (1) No petition made by a labor organization under section 9 (c), and no charge made by a labor organization under section 10 (b) shall be entertained unless there is on file with the board an affidavit executed contemporaneously or within the preceding twelve-month period by each officer of such labor organization and the officers of any national or international labor organization of which it is an affiliate or constituent unit, that he is not a member of the Communist party or affiliated with such party, and that he does not believe in, and is not a member of or supports any organization that believes in or teaches, the overthrow of the United States Government by force or by any illegal or unconstitutional methods or seeking by force or violence to deny other persons their rights, under the Constitution of the United States. The provisions of section 1001 of title 18 of the United States Code shall be applicable in respect to such affidavits. For the purposes of this subsection, 'officer' means members of all policy-forming and governing bodies of the labor organization as well as those designated as such by the constitution of the labor organization.

"(2) No petition made by an employer under section 9 (c) and no charge made by an employer under section 10 (b) shall be entertained unless there is on file with the board an affidavit executed contemporaneously or within the preceding twelve-month period by such employer, its officers if it is a corporation, and each of such employer's agents having responsibility for the employer's labor relations that he is not a member of the Communist party or affiliated with such party, and that he does not believe in, and is not a member of or supports any organization that believes in or teaches, the overthrow of the United States Government by force or by any illegal or unconstitutional methods, or seeking by force or violence to deny other persons their rights under the Constitution of the United States. The provisions of section 1001 of title 18 of the United States Code shall be applicable in respect to such affidavits."

Remarks—

The chief change here is to require representatives of management as well as labor to take the noncommunist oath. This meets the objection of President Eisenhower that the present law requires affidavits only from union leaders.[4]

The union officials' affidavits also would be extended to cover "members of all policy-forming and governing bodies of the labor organizations as well as those designated as such by the constitution of the labor organization." In the early days of the T-H Act, some of the communist dominated unions tried to dodge the act's affidavit requirements by changing their constitutions so as to reduce the number of "officers" and by setting up new nonofficer posts which could carry great policy-making authority. Taft's amendment is aimed at closing that loophole.

Both the AFL and the CIO seek elimination of the entire noncommunist affidavit requirement.[2,3]

Change 5—Eliminates "Mandatory" Injunction

Taft-Hartley Act—"10 (1) Whenever it is charged that any person has engaged in an unfair labor practice within the meaning of paragraph (4) (A), (B), or (C) of section 8 (b), the preliminary investigation of such charge shall be made forthwith and given priority over all other cases except cases of like character in the office where it is filed or to which it is referred. If, after such investigation, the officer or regional attorney to whom the matter may be referred has reasonable cause to believe such charge is true and that a complaint should issue, he shall, on behalf of the board, petition any district court of the United States (including the District Court of the United States for the District of Columbia) within any district where the unfair labor practice in question has occurred, is alleged to have occurred, or where such person resides or transacts business, for appropriate injunctive relief pending the final adjudication of the board with respect to such matter. Upon the filing of any such petition the district court shall have jurisdiction to grant such injunctive relief or temporary restraining order as it deems just and proper, notwith-

nding any other provision of law: Provided further, That no porary restraining order shall be issued without notice unless petition alleges that substantial and irreparable injury to the rging party will be unavoidable and such temporary restrain- order shall be effective for no longer than five days and will ome void at the expiration of such period. Upon filing of any h petition the courts shall cause notice thereof to be served on any person involved in the charge and such person, including charging party, shall be given an opportunity to appear by unsel and present any relevant testimony: Provided further, at for the purposes of this subsection district courts shall be med to have jurisdiction of a labor organization (1) in the trict in which such organization maintains its principal office, or) in any district in which its duly authorized officers or agents e engaged in promoting or protecting the interests of employee mbers. The service of legal process upon such officer or agent all constitute service upon the labor organization and make h organization a party to the suit. In situations where such ief is appropriate the procedure specified herein shall apply charges with respect to section 8 (b) (4) (D)."

Amendment—Would delete entire Section 10(l).

emarks—

Under the T-H Act the NLRB "shall" take immediate eps to secure injunctions against a secondary boycott, hich is a union technique whereby a union attempts to ing an employer to terms by bringing pressure upon a ird party. Taft's amendment would eliminate what some ll "Congress's mandate" to the NLRB and would, in effect, ave it to the NLRB's discretion whether to seek an in- nction against a secondary boycott.

Those in industry that oppose the amendment say that nder the T-H Act the NLRB does not have to act unless "has reasonable cause to believe" that the secondary boy- tt charge is true. Therefore, they say, the present pro- dure is discretionary in its inception and not "mandatory" its critics aver.[5]

The CIO says it regards this amendment as "clearly de- rable, although it stops short of eliminating government by junction, and of restoring the Norris-LaGuardia Act to s full scope."[2] The AFL is reported to favor the removal bans against most types of secondary boycotts.[3] The AFL reported to feel that "secondary boycotts should be pro- ibited only where a union applies its strength to dislodge nother union that already has a contract with the em- loyer."[6]

hange 6—Permits Workers to Refuse to Handle Struck Work

Taft-Hartley Act—"8 (b) It shall be an unfair labor practice for labor organization or its agents . . .

"(4) to engage in, or to induce or encourage the employees any employer to engage in a strike or a concerted refusal in he course of their employment to use, manufacture, process, trans- ort, or otherwise handle or work on any goods, articles, materials, commodities or to perform any services, where an object thereof : (A) forcing or requiring any employer or self-employed person join any labor or employer organization or any employer or ther person to cease using, selling, handling, transporting, or therwise dealing in the products of any other producer, processor, manufacturer, or to cease doing business with any other person;"

Amendment—Would add to Section 8(b) (4) the following: "Pro- ided, That nothing in (A) of this section shall be construed to ake it an unfair labor practice for a labor organization to induce r encourage employees to engage in a concerted refusal to perform ork which because of a current labor dispute between another mployer and his employees is, for the duration of such dispute, no nger being performed by the employees of such other employer;"

Remarks—

Section 8(b) (4) (A) makes it an unfair labor practice for a union to engage in a secondary boycott. Taft's amendment would permit union members to refuse to handle struck work, i.e., work or material from another plant or office whose workers are on strike.

Industry sources that oppose this amendment feel it would make the secondary boycott section a dead letter.[5] The AFL and CIO favor this amendment.[2,3] The CIO wants the same type of permission granted workers regarding "sweat-shop-made goods" and "goods from run-away plants."

Change 7—Broadens Free Speech Provisions to Cover Elections

Taft-Hartley Act—"8 (c) The expressing of any views, argument, or opinion, or the dissemination thereof, whether in written, printed, graphic, or visual form, shall not constitute or be evidence of an unfair labor practice under any of the provisions of this act, if such expression contains no threat of reprisal or force or promise of benefit."

Amendment—(Clause in bracket is deleted; clause in italics is added.) "8(c) The expressing of any views, argument, or opinion, or the dissemination thereof, whether in written, printed, graphic, or visual form, shall not constitute or be evidence of an unfair labor practice under any of the provisions of this act, [if such expression contains no threat of reprisal or force or promise of benefit] *"nor shall it be the basis of setting aside an election conducted under section 9."*

Remarks—

The T-H Act permits the employer the right of free speech if his expressions "do not contain threat of reprisal or force or promise of benefit."

While it is not an unfair labor practice for an employer to exercise his free speech, the NLRB has used employer remarks to set aside elections which the union lost. The Taft amendments would extend the employer free speech guarantee to cover NLRB representation elections in addition to unfair labor practices.

The CIO is opposed to this amendment.[2]

Change 8—Permits Discharge of Communists by Employer

Taft-Hartley Act—"8(a) (3) . . . [Unfair labor practices of employers] no employer shall justify any discrimination against an employee for nonmembership in a labor organization (A) if he has reasonable grounds for believing that such membership was not available to the employee on the same terms and conditions generally applicable to other members, or (B) if he has reasonable grounds for believing that membership was denied or terminated for reasons other than the failure of the employee to tender the periodic dues and the initiation fees uniformly required as a condition of acquiring or retaining membership;"

Amendment—(Material in italics is added.) "8(a) . . . no employer shall justify any discrimination against an employee for nonmembership in a labor organization (A) if he has reasonable grounds for believing that such membership was not available to the employee on the same terms and conditions generally applicable to other members, or (B) *if he has reasonable grounds for believing that membership was denied or terminated for reasons other than (1) the failure of the employee to tender the periodic dues and the initiation fees uniformly required as a condition of acquiring or retaining membership, or (2) the employee's membership or affiliation with the Communist party or his support thereof, or his*

membership in, affiliation with, or support of any organization that believes in, or teaches, the overthrow of the United States Government by force or any illegal or unconstitutional methods;"

Remarks—

Under the T-H Act, the union under a union security clause cannot force the discharge of a worker so long as he pays his dues. Under the amendment the union is permitted to seek the discharge under a union security clause of communists even though they pay dues.

The CIO says it has "no objection to this provision."[2]

Change 9—Permits Unions to Seek Discharge of Communists

Taft-Hartley Act—"8 (b) It shall be an unfair labor practice for a labor organization or its agents—"

* * *

"(2) to cause or attempt to cause an employer to discriminate against an employee in violation of subsection (a) (3) or to discriminate against an employee with respect to whom membership in such organization has been denied or terminated on some ground other than his failure to tender the periodic dues and the initiation fees uniformly required as a condition of acquiring or retaining membership;"

Amendment—(Material in italics is added.) "(b) It shall be an unfair labor practice for a labor organization or its agents—"

* * *

"(2) to cause or attempt to cause an employer to discriminate against an employee in violation of subsection (a) (3) or to discriminate against an employee with respect to whom membership in such organization has been denied or terminated on some ground other than (1) his failure to tender the periodic dues and the initiation fees uniformly required as a condition of acquiring or retaining membership; *or (2) his membership or affiliation with the Communist party, or his support thereof, or his membership in, affiliation with, or support of any organization that believes in, or teaches, the overthrow of the United States Government by force or any illegal or unconstitutional methods;"*

Remarks—

Same as for Change 8.

Change 10—Eliminates Analysis of Union's Constitution and Bylaws

Taft-Hartley Act—"9(f) No investigation shall be made by t board of any question affecting commerce concerning the rep sentation of employees raised by a labor organization under su section (c) of this section, no petition under section 9 (e) (shall be entertained, and no complaint shall be issued pursua to a charge made by a labor organization under subsection (of section 10, unless such labor organization and any natio or international labor organization of which such labor organi tion is an affiliate or constituent unit (A) shall have prior there filed with the Secretary of Labor copies of its constitution a bylaws and a report, in such form as the Secretary may prescri showing—"

* * *

"(6) a detailed statement of, or reference to provisions its constitution and bylaws showing the procedure followed wi respect to, (a) qualification for or restrictions on membersh (b) election of officers and stewards, (c) calling of regular a special meetings, (d) levying of assessments, (e) imposition fines, (f) authorization for bargaining demands, (g) ratificati of contract terms, (h) authorization for strikes, (i) authorizati for disbursement of union funds, (j) audit of union financial tra actions, (k) participation in insurance or other benefit plans, a (l) expulsion of members and the grounds therefor;"

Amendment—Would delete paragraph (6) of Section 9(f).

Remarks—

The T-H Act requires a union, in addition to supplyi the Secretary of Labor with a copy of its constitution a bylaws, to also supply him with a detailed analysis of the documents. The amendment would no longer require t union to submit a detailed description of its constitutio All other union filing requirements of the T-H Act, howeve are kept. AFL asks that T-H Act be amended so that "u union would be penalized for failure to file unless it fi had been given opportunity to correct what might have be an unintentional oversight."[3]

CIO says this amendment will cut down a union's "re tape a little but not much."[2]

(See also change 27 for a further change in the wordi of this section.)

Senate Bill 656—This is largely the same as Senator Taft's 1952 building and construction trades bill which passed the Senate but was not acted upon in the House. It would permit a building trades union to sign a union contract with an employer before a job begins; it would also reduce to seven days the period in which a worker would have to join the union under a union security clause.

Change 11—Special Exemptions for Building Trades Unions

Taft-Hartley Act—"Sec. 9(a) Representatives designated or selected for the purposes of collective bargaining by the majority of the employees in a unit appropriate for such purposes, shall be the exclusive representatives of all the employees in such unit for the purposes of collective bargaining in respect to rates of pay, wages, hours of employment, or other conditions of employment: Provided, That any individual employee or a group of employees shall have the right at any time to present grievances to their employer and to have such grievances adjusted, without the intervention of the bargaining representative, as long as the adjustment is not inconsistent with the terms of a collective bargaining contract or agreement then in effect: Provided further, That the bargaining representative has been given opportunity to be present at such adjustment.

"(c) (1) Whenever a petition shall have been filed, in accor ance with such regulations as may be prescribed by the board-

"(A) by an employee or group of employees or any individu or labor organization acting in their behalf alleging that a su stantial number of employees (i) wish to be represented for c lective bargaining and that their employer declines to recogni their representative as the representative defined in section 9 (a or (ii) assert that the individual or labor organization, which h been certified or is being currently recognized by their employ as the bargaining representative is no longer a representati as defined in section 9 (a); or

"(B) by an employer, alleging that one or more individua or labor organizations have presented to him a claim to be reco nized as the representative defined in section 9 (a);

"the board shall investigate such petition and if it has reasonab cause to believe that a question of representation affecting co merce exists shall provide for an appropriate hearing upon d

tice. Such hearing may be conducted by an officer or employee the regional office, who shall not make any recommendations th respect thereto. If the board finds upon the record of such aring that such a question of representation exists, it shall ect an election by secret ballot and shall certify the results ereof."

Amendment—(Material in italics is added; material in brackets is leted.) "Sec. 9(a) Representatives designated or selected for e purposes of collective bargaining by the majority of the emyees in a unit appropriate for such purposes, shall be the exclue representatives of all the employees in such unit for the rposes of collective bargaining in respect to rates of pay, wages, urs of employment, or other conditions of employment: Provided, at any individual employee or a group of employees shall have e right at any time to present grievances to their employer and have such grievances adjusted, without the intervention of the rgaining representative, as long as the adjustment is not incontent with the terms of a collective-bargaining contract or agreent then in effect: Provided further, That the bargaining repreitative has been given opportunity to be present at such adjustent."

"Provided further, That nothing in this section or any other ction of this act or of any other statute or law of the United ates shall preclude an employer primarily engaged in the building d construction industry from making an agreement covering ployees engaged (or who, upon their employment, will be enged) in the construction, alteration, or repair of buildings, or other uctures and improvements, on which building and construction ade workmen are employed, with a labor organization (not tablished, maintained, or assisted by any action defined in section a) of this act as an unfair labor practice and which at the time e agreement was executed or within the preceding twelve months s received from the board a notice that it has complied with all e requirements imposed by section 9(f) (g) (h), to require, as a ndition of employment, membership in such organization on or ter the seventh day following the beginning of such employment, d no such agreement shall be considered an unfair labor practice der section 8 of this act, solely because no election has been held der the provisions of section 9 of this act prior to the making of ch agreement: Provided further, That nothing herein shall set ide the final proviso to section 8(a)(3) of this act."

* * *

"(c) (1) Whenever a petition shall have been filed, in accordce with such regulations as may be prescribed by the board—

"(A) by an employee or group of employees or any individual or labor organization acting in their behalf alleging that a substantial number of employees (i) wish to be represented for collective bargaining and that their employer declines to recognize their representative as the representative defined in section 9(a), or (ii) assert that the individual or labor organization, which has been certified or is being currently recognized by their employer as the bargaining representative, is no longer a representative as defined in section 9(a), or (iii) who are covered by an agreement between their employer and a labor organization made pursuant to the third proviso to section 9(a) wish to be represented by a labor organization other than the labor organization which is currently representing them under such agreement.

"(B) by an employer, alleging that one or more individuals or labor organizations have presented to him a claim to be recognized as the representative defined in section 9(a);"—

the board shall investigate such petition and if it has reasonable cause to believe that a question of representation affecting commerce exists shall provide for an appropriate hearing upon due notice. Such hearing may be conducted by an officer or employee of the regional office, (who shall not make any recommendations with respect thereto). If the board finds upon the record of such hearing that such a question of representation exists, it shall direct an election by secret ballot and shall certify the results thereof: Provided, That in a proceeding arising under section 9(c) (1) (A) (iii), the director of the regional office in which such a petition is filed shall investigate such petition and if he has reasonable cause to believe that a question of representation affecting commerce exists shall provide for an appropriate hearing upon due notice, which hearing may be conducted by an officer or employee of the regional office who may make recommendations in writing with respect thereto, and the report of the hearing officer shall be served upon the parties to the proceeding. If, in any such proceeding, the regional director finds upon the record of such hearing that such a question of representation exists, he shall, notwithstanding the existence of any agreement, direct an election by secret ballot and shall certify the results thereof: Provided further, That petitions under 9(c) (1) (A) (iii) shall have the highest priority over all other cases, except cases of like character, notwithstanding the provisions of section 10(1) of this act, and the procedure prescribed herein, up to and including the issuance of a certificate, shall be completed within ten calendar days after the filing of the petition except in rare cases which require additional time."

Remarks—

This amendment permits building trades unions to sign a union contract with an employer *before* a job begins. It also permits building trades unions to have a special type of union shop contract that requires workers to join the union within seven days instead of the usual thirty days. The amendment also provides for speedy handling of representation petitions of this industry.

The AFL's building and construction unions have sponsored this amendment and are strongly in favor of it.[3] The CIO says it does not favor "legislative discrimination in favor of particular unions."[2] (See change 3 for further changes.)

Senate Bill 657—This bill changes National Labor Relations Board procedures. It stems largely from American Bar Association recommendations. The bill would: (1) Permit one or more board members to hear oral arguments; (2) Provide for a twelve-man labor-management advisory committee on procedures and practices to "advise" the NLRB; (3) Eliminate the requirement that an unfair labor practices complaint contain a notice of hearing; (4) Empower the NLRB, with the consent of the parties, to decide issues of law without going through a hearing.

hange 12—Permits a Board Member to Hear Oral Arguments

Taft Hartley Act—"8 (b) The board is authorized to delegate to y group of three or more members any or all of the powers hich it may itself exercise. A vacancy in the board shall not npair the right of the remaining members to exercise all of the owers of the board, and three members of the board shall, at l times, constitute a quorum of the board, except that two members shall constitute a quorum of any group designated pursuant to the first sentence hereof. The board shall have an official seal which shall be judicially noticed."

Amendment—Would add to 8(b) the following: "The board is also authorized to delegate to one or more members the power to hear oral argument in any case which is properly before the board. The final decision in such case shall be made, however, either by

(Continued on page 107)

Problems of Executive Compensation

Digested here are the talks given before the 335th meeting of the National Industrial Conference Board at the Sheraton-Cadillac Hotel in Detroit, Michigan, on November 20, 1952. Edward H. McDermott, Senior Partner of McDermott, Will and Emery in Chicago was Round Table chairman. Five different aspects of executive compensation were analyzed in this Round Table session. The speakers were:

William M. Robbins, Director and Vice-President
General Foods Corporation, New York

Arthur H. Dean, Partner
Sullivan & Cromwell, New York

William A. Patty, Partner
Shearman & Sterling & Wright, New York

Willard E. Slater, Resident Partner
Ernst & Ernst, Detroit

V. Henry Rothschild, 2nd, Attorney, New York,
and Member, Salary Stabilization Board

A Rounded Incentive Program

by William M. Robbins

LET ME BEGIN by making a few broad, general observations. In the first place, the problem of executive compensation is one which should be dealt with after certain other fundamental aspects of wage and salary administration have been handled. All of us, I am sure, have well-established policies to guide us in the administration of our wage problems, that is, the hourly-rated wage of the workers in our organizations. It goes without saying that we must have such policies to conduct our respective businesses with fairness, intelligence, and courage. None of us is a free agent in the field of wage administration, but we should and must have a policy and a philosophy. Briefly, we state that General Foods intends to pay wages in each of its plants and offices as good as prevail for similar work under similar conditions in the community where such plant or office is located. To the best of our ability we do this voluntarily, and so far we have had reasonable success in making our policy operate.

The second fundamental in sound executive co pensation thinking is the question of salaries. Each us, I am sure, in his own business has done somethi about this problem. Briefly, since 1946, we in Gene Foods have been living under a rather formal plan managerial position evaluations. In this program have studied and established relationships of positi in the company with salary ranges from $7,000 $60,000. Thus you see that in the managerial positi evaluation program we have moved well into the a of executive compensation at the higher ranges of scale. I contend that until each of us has done a sou and constructive job in the area of wages and b salaries we have not laid the groundwork for an inte gent and objective approach to the problem before today, which is executive compensation.

Now, to be sure that we are all thinking alike, let define what I am talking about when I refer to exe tive compensation. I am dealing here with comp sation of the senior executives in the enterprise, th on whose shoulders rest the responsibility for and authority to make those decisions which will cont the operations of the total business. The number people included in such a group will vary quite natur ly with the size of the company. In General Foo where we employ some 18,000 people, the group currently limited to 100 people. Of these, a la majority would be found in the top range of managerial position evaluation program, and others who constitute the senior executive group our headquarters point are treated individually.

Having narrowed my field, let me make anoth broad, general statement. I think the problem we discussing today is one of the great challenges to corporate form of business enterprise. The combi tion of inflation and high taxes has made it less tractive to work for a corporation than to employ on talents in a business where ownership and manageme can be mingled in such a way that the benefits to owner grow in proportion to the success of the ent prise and offer opportunities for capital gains rar equalled in the corporate form of employment. who are working for corporations, therefore, mu exercise every possible fair and honest degree resourcefulness to attract and hold, stimulate and ward those men who are responsible for the success our several businesses, and who in fact give the maj portion of their total energies to building and creati and leading the great industries and business instit

ons of this country so necessary for our national rogress and national security.

If, as we all know, inflation and taxes make it impos-ble for us to deliver substantial real wages to our nior executives, then what solutions have been sug-sted? The American businessman has never been at loss for resourcefulness and he, together with his wyers, tax experts, and advisors, has come up with a ariety of solutions. Let me list the most obvious:

• A sound base salary—This base salary must be commensurate with the responsibility imposed upon the individual, the risks involved, the investment and competition for his services in the market place. It is essential that base salaries must be right, but it is equally obvious that the base salary alone will not answer the question. We might take a goodly portion of our time today in attempting to answer just how to set base salaries for the senior executive group in any large corporation. With executive talent such a rare commodity, I am sure we could have a lively discussion.

• Adequate provision for security—Much as we might wish that people would fight for opportunity and forget security, the realities of life force us to recognize security as among the most important forces motivating man in relationship to his business environment. There are a number of ways to answer the question of security for the individual executive. Included among others there are pension plans, insurance programs, post-retirement employment contracts, deferred salary arrangements, and stock purchase plans. I will have more to say on several of these in a moment.

• Incentives and rewards—In this third category I will speak briefly of those programs which are designed to create incentives and to reward fruitful efforts. Here, broadly speaking, there are two programs in wide use: the executive bonus, which is a reward for current performance and frequently takes the form of profit sharing; and the stock option, which is an incentive for future performance and which under favorable government regulations has been tremendously stimulated in the last two years.

So we see there are a variety of ways in which a rporation might address itself to the problem of orking out a sound and well-balanced executive com-nsation program.

Let me tell you briefly how we have attempted to velop such a program. Starting back in 1946, we augurated our managerial position evaluation plan hich I previously referred to. In gradual stages we tended it until within the last year we have ex-anded that program to include the general managers our operating divisions, and other executives whose salaries range up to as high as $60,000 per year. We have established what we think are sound and fair base salary rates, as related to other jobs within the corporation, as related to competitive market values for similar talents elsewhere employed throughout the food industry particularly, and also as related to similar positions of responsibility elsewhere in American business.

Against this organized program, we have been able to evaluate each of our key senior officers who are excluded from the program, about twenty in number, and in a similar manner have established what we hope and believe are fair and equitable base salary rates for them.

In rather rapid succession during the most recent two years, we have taken the following actions:

We have revamped our insurance program for all employees including executives, making it more liberal, and have built into it a feature which brings men to retirement age with a block of paid-up insurance purchased on a group-plan basis equal to approximately half of the insurance in force while each individual was at work. Our whole insurance program, like most of yours I am sure, is relatively modest, with the top limit set at $20,000. Nevertheless, it is a step in the right direction.

We have removed the top salary limitation which heretofore was $50,000 in our retirement program. The senior executives thus are permitted to build retirement incomes up to as high as $40,000 per year provided they are in salary ranges high enough to qualify and have terms of service of sufficient length to permit the accumulation of credits.

There is another feature of our retirement program which may interest you. We established our retirement plan in 1935 and set up a special retirement allowance program under which we made up for employees with fifteen or more years of service the deficiencies which were brought about because we had not funded our accrued liability. Recently we have liberalized the payments under this special retirement allowance program so that they are established in relation to the average salary of each individual during his last five years in service prior to retirement rather than during an earlier and considerably less inflated base period.

Last year we went to our stockholders at the annual meeting and were given authority to establish an executive bonus plan. Under this program 10% of the earnings after 7% return on the capital used in the business will be set aside in a reserve. Out of this reserve, awards will be made to selected key executives. This year's distribution is limited in such a way that only the one hundred highest paid executives will be considered; not all will receive awards and the size of each award will be set to reflect the performance of

each executive and his contribution to the growth and profit of the company. We are making our first awards under this program this year, starting off modestly because we have not yet obtained full government clearance to operate the plan as it is designed, and, therefore, are limited in the amount of money available for awards to those reserves which standard government regulations authorize as part of our regular salary administration programs. Individual awards can be made in cash, in stock, or part in cash and part in stock, and will be paid over a period not to exceed five years following the year for which the award is made. Our plan, like many others, is administered by a committee of the board of directors, none of whom is eligible to participate.

Finally, this year we again went to our stockholders at the annual meeting and obtained permission to establish a stock option program. Under this plan we are authorized within the next five years to grant options to senior key executives, limited to approximately fifty in number. The authorized number of shares which can be so optioned in the next five-year period is 250,000—approximately 4.5% of the shares outstanding—and the maximum number of shares which can be optioned to any individual is 15,000. The stock will be optioned to the recipients at 95% of the market price thus qualifying those who participate for capital gains tax rates on any increased values which may result from the progress of the business, the impact of inflation, etc. Options may be picked up by the individuals at a rate not to exceed 10% per year and the right to do so accumulates during the entire ten-year period. Employees over sixty years of age are not included in our stock option plan, and this, in my opinion, is open to debate. However, we are fortunate in having both the stock option plan and the executive bonus plan, and can to a degree compensate for the older senior executives by making their bonus awards more liberal.

In the past, our stock traditionally has not been a sensational performer in the market. Currently it is doing better. Whether the above program will result in substantial reward to our senior executives, time alone will tell. We believe, however, that those to whom options have been granted, and they are a choice and limited few, are in fact in a position to make our business grow. We believe they will respond to the stimulation that the options hold for future gains as well as the stimulation from ownership management, however modest such ownership may be.

A word of caution is perhaps appropriate here. The exercise of an option by a key employee exposes that individual to a risk which should not be lightly considered. He must pick up the option and hold the stock for six months or long enough to qualify for capital gains taxation if he is to enjoy the benefits anticipated. Six months is a long time and could result in important personal losses if the stock market should reverse itself. Let's also remember that the individuals with whom we are dealing here are in fact the most important people in our business.

As an aside, coincident with the inauguration of our stock option program, we established a stock purchase plan for all other employees except those who participate in the executive bonus or the stock option programs. Under our so-called savings-investment plan, the company will give one share of stock with the purchase of each five shares to all employees who participate in the program. Employees accumulate credits by a payroll deduction program which graduates according to salaries earned, with the maximum salary limitation of $20,000. No employee buys any stock until he has sufficient funds in hand to pay for it in full in lots of not less than five shares nor more than twenty-five shares at a time. The employee's money is trusteed with an independent bank and the employee himself determines when to buy.

Now let me summarize. No two companies will meet the problem of executive compensation in the same way. Each must tailor its own plan to its own needs but it is quite improbable that a balanced program will differ substantially as to its fundamental components. These components are: first, a sound base salary; second, an opportunity for security (intelligent handling of insurance and retirement programs); third an incentive for this year's performance, the executive bonus; and fourth, an opportunity to participate in future growth through stock options and stock ownership.

In closing then, let me remind you that it is our duty to think through on this important problem of executive compensation. It is highly improbable that accumulation of capital of sufficient size to make this country safe and strong will be found in any form of business enterprise other than the corporation. We must attract and hold, stimulate and reward the executives who shoulder the burden of senior management of these corporations, whether they be large or small.

Our most precious asset is our people. We must provide them the opportunity for service, growth, achievement and reward within the framework of American industry in proportion to the talents they bring, the efforts they expend and the results they individually achieve. We can take great pride in the fact that intangible rewards stimulate great business leaders to work out their very hearts in building and developing our great corporations, but we should do our utmost to see to it that the tangible rewards for their labor and, in many cases, for their very lives are com

ensurate with the important contributions they ake every day to the progress of this nation and the eservation of our American ideals.

Employee Stock Options

by Arthur H. Dean

BECAUSE OF high individual income tax rates ranging up to 90%, combined with shrinkage in ie purchasing power of the dollar, ordinary salary ayments to corporate executives are inadequate as centives in many instances. Accordingly, boards of rectors have been turning to other methods of rnishing the needed incentive. Restricted stock options in particular have been used for this purpose.

Prior to the Smith case,[1] decided by the Supreme ourt in 1945, the tax treatment of stock options pended largely on the intent of the parties. If the anting of a particular option was intended as a eans of paying ordinary compensation, if, for example, it was at a bargain price, the corporation could educt the amount by which the market price exeeded the option price at the time the option was ercised, and the same amount was taxed at that me to the employee as ordinary income.

In most instances before the Smith case, however, here was a failure to prove intent of paying ordinary mpensation, with the result that neither the granting nor the exercise of the stock option was treated as sulting in taxable income to the employee, and the rporation was not allowed any tax deduction. In ither case, however, any gain realized by the employee pon his subsequent sale of stock acquired by exercise f the option was ordinarily treated as capital gain, is cost basis being the option price plus any amount reviously recognized and taxed as compensation.

In the Smith case, the court held that the option nvolved was intended as compensation for services, nd, therefore, upon exercise of the option, the difference between the option price and the market price t the time of exercise was taxable as ordinary income. This created great consternation, because many corporations had wooed executives from other corporations by granting stock options. And many of these xecutives had given up pension rights in their former positions and then found, as a result of the Smith ase, that on a net basis they were not as well off as hey had been before shifting jobs.

A great deal of discussion followed, and about a ear later the Treasury Department issued amended egulations relative to stock options, which went far beyond the Smith case. They stated in effect that as to options granted before the Smith case, if at the time of grant there was no substantial difference between the option price and the market value of the optioned stock, and if under the old regulations the option would not have been regarded as having been given as compensation, the optionee would not be considered to realize taxable income upon exercise of the option. But as to options granted after the Smith case, the optionee would be considered as realizing taxable income upon exercise of the option to the extent of the excess of the then market value of the optioned stock over the option price.

This pretty much put a stop to stock options. The Treasury Department and Congress restudied the matter and finally the Revenue Act of 1950 added Section 130A to the Internal Revenue Code. This permits the recipient of a "restricted stock option" to exercise his option, under certain circumstances, without incurring any tax and ultimately to sell the stock so acquired and treat any resulting gain as long-term capital gain for tax purposes. The corporation cannot deduct anything either at the time of granting a restricted stock option or at the time it is exercised if the optionee is not required at either of such times to report the receipt of taxable income.

A "restricted stock option" is defined as an option complying with the following conditions:

(1) Its grant must be for a reason connected with the optionee's employment by the granting corporation or its parent or subsidiary and the option must relate to the stock of any of such corporations;

(2) The optionee, together with certain members of his family, cannot be a 10% stockholder of the granting corporation or of its affiliates;

(3) At the time of granting, the option price must equal at least 85% of the fair market value of the optioned stock;

(4) By its terms, the option must be nontransferable by the optionee otherwise than on death;

(5) By its terms, an option must be exercisable during the lifetime of the optionee only by him.

In addition to these requirements, certain other conditions relating to the exercise of the option and the sale of the stock must be fulfilled in order for the special tax treatment afforded by Section 130A to apply. These are: (a) the optionee must exercise the option while he is an employee of, or within three months after termination of his employment with, the granting corporation or its parent or subsidiary; and (b) the optionee must not dispose of the stock acquired by exercise of the option for at least six

(Continued on page 115)

[1] *Commissioner* v *Smith*, 324 U.S. 177 (1945).

Wage and Salary Settlements—1952

A NICKEL AN HOUR was the most frequent money increase granted in 1952, according to an analysis of the wage settlements appearing in the press and confirmed by THE CONFERENCE BOARD last year. This does not mean that the average increase was 5 cents an hour, for many companies granted raises of 10 cents an hour, and even more gave 12 cents and up. A straight arithmetic mean of all the increases given in 1952 would fall somewhere between 5 cents and 12 cents an hour. Chart 1 shows graphically the frequency of occurrence of the more common raises that were given.

Where fringe benefits were liberalized, augmented vacations headed the list, followed closely by medical and hospitalization insurance and additional holidays. The statistics are given in the accompanying tables and charts. Generally, fringe-benefit changes went along with money increases.

A number of the smaller increases tabulated were cost of living adjustments, usually granted quarterly. Because of this inclusion, there is a downward bias in this tabulation. Depending on the movement of the consumers' price index, the same companies may have granted more than one moderate-sized adjustment during the course of the calendar year. With prices leveling off in '52, however, this bias was not so strong as in recent years.

ANALYSIS BY UNIONS

Reports of settlements with both AFL and CIO unions indicated that the raises granted most frequently were in the 5-cents-an-hour group, with 10 cents and 12 cents and over following. CIO settlements were strong in the 8-cents-an-hour category, while AFL contracts were particularly numerous in the 10 cents and 12-cents-and-over groups. Expressed in percentage gains, both CIO and AFL clustered around 5%.

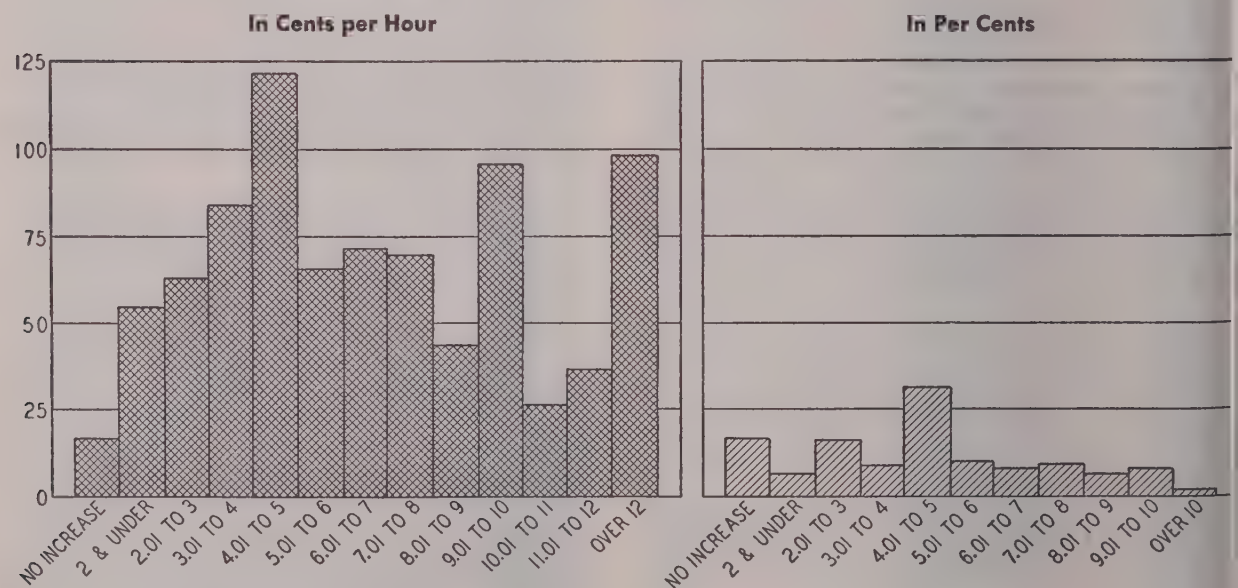
In addition to the AFL and CIO settlements, contracts signed by firms whose employees were members of independent unions, those that had no union representation and those that did not indicate a union affiliation are also included in the Table, "Wage Increases by Unions." As expected, these settlements followed the same pattern as the AFL and CIO agreements.

ANALYSIS OF SETTLEMENTS BY INDUSTRY

Table 1, which breaks down the wage settlements by industry groups, suggests that each industry was

(*Text continued on page 82*)

Chart 1: Increases for Wage Earners



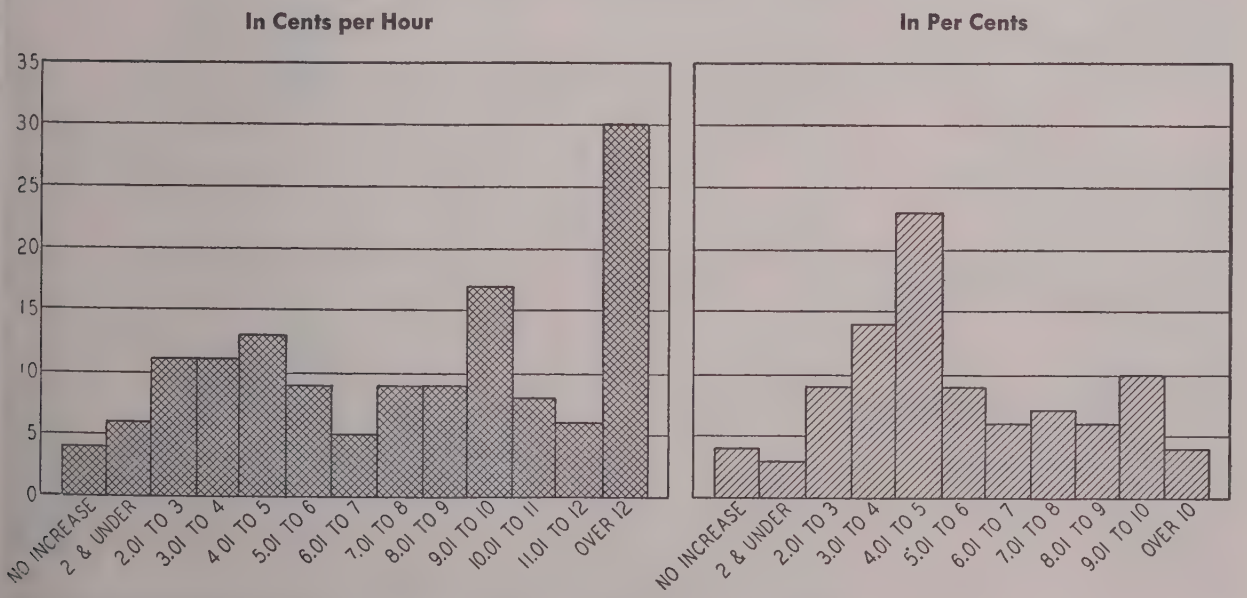
Source: THE CONFERENCE BOARD

Table 1: Wage Increases by Industry

Industry	Raise in Cents per Hour												Raise in Per Cent										No Wage Change	Total
	.01-2	2.01-3	3.01-4.99	5	5.01-6	6.01-7	7.01-8	8.01-9	9.01-10	10.01-11	11.01-12	Over 12	.01-2	2.01-3	3.01-4	4.01-5	5.01-6	6.01-7	7.01-8	8.01-9	9.01-10	Over 10		
Chemicals	6	5	7	10	5	7	10	4	15	1	4	10	1	1	1	1	1	2					1	92
Clubs and restaurants					1	1	1									1								4
Communications							1	1	2	2	2	5												13
Electrical machinery	2		6	4	6	12	6	5	6	2	5	6		1	1	2	1		1					66
Fabricated metal products	2	3	9	8	4	7	3	5	5	1	2	1	1			1						1		53
Food	8	2	10	11	14	6	4	9	9	5	1	4						1						84
Furniture and fixtures	1	1	3		2	2	1		1			1												12
Leather				3	3		2	1								1								10
Lumber	1	2		2			1																	6
Machinery—except electrical	4	3	5	11	4	6	5	1	5		4	6			1		1				1			58
Ordnance and accessories				1								2				1								4
Paper and allied products	13	22	14	14	9	6	6	1	4			1	4	10	1	3	1						3	112
Petroleum	1	2	2	3	1			2	6	1		11			2	5			1				1	38
Primary metals	2	6	5	5	3	5	7	1	3	1	1	7			2	1					2			51
Printing and publishing				1			2		1			3												7
Professional, scientific and controlling instruments	1		2			3	1				1	2								1				11
Public utilities	1	3		4	2	2	1	4	7	2	4	6		1		1	3	1	1	2				45
Retail trade				12	1	2	3		1			2			1	1								23
Rubber			1	1		1			11	1		2												17
Stone, clay and glass	2	3	3	4	2	4	3	2	10	2	2	1	1		1	1		1	2		1	1		46
Textiles	2	3	8	13	4	1	3	3	2	2						5	2	1		1			9	59
Tobacco				1							1						1							3
Transportation				2			1		3	1		11				2			1		1			22
Transportation equipment	4	5	3	2	1	2	2	1	6	3	7	10				1		1	2		1	1		52
Trucking and warehousing					1						1													2
Miscellaneous—manufacturing		2		6	1	4	2		1	1		1				2	1						2	23
Miscellaneous—non-manufacturing	2	1	1	2	1	1	3	1	1			2			1	1				3			1	21
TOTAL	52	63	79	120	65	72	68	41	99	25	35	94	7	14	10	31	11	7	8	7	6	3	17	934

Source: THE CONFERENCE BOARD

Chart 2: Increases for Salaried Employees



Source: THE CONFERENCE BOARD

Table 2: Wage Increases by Unions, January-December 1952

Union	Hourly Increases in Cents												Percentage Increases										No Wage Change	Total Settlements
AFL	.01-2	2.01-3	3.01-4.99	5	5.01-6	6.01-7	7.01-8	8.01-9	9.01-10	10.01-11	11.01-12	Over 12	.01-2	2.01-3	3.01-4	4.01-5	5.01-6	6.01-7	7.01-8	8.01-9	9.01-10	Over 10		
Automobile Workers	1			3	1	3		1	2	1	1	1												14
Bakery and Confectionery Workers							1	1	1			1												4
Blacksmiths		3	1	2	1																			7
Bookbinders				1					1															2
Boot and Shoe Workers																1								1
Bridge, Structural and Ornamental Iron									1															1
Building Service Employees		2	1			1	3									1								8
Carpenters and Joiners		1														1								2
Cement, Lime and Gypsum Workers		1		3			1	1	3	1	3	1												14
Chemical Workers	1	3	3	2	2	3	2	1	6	2	2	5		1				1			1			35
Electrical Workers	2	1	2	3	2	4			2		1	3				3	1	1		2				27
Federal Labor Unions		1	1	1	1	1					1	2						1						9
Firemen and Oilers	2	1	2	1		1		1	1							1								10
Flint Glass Workers		1		1					3							1								6
Grain Millers	3		7	5	6	3				1														25
Hatters, Cap and Millinery Workers			1	2																				3
Hod Carriers																					1			1
Hosiery Workers																							2	2
Lotel and Restaurant Workers	2		1																					3
Hadies' Garment Workers			1	2												3							1	7
Longshoremen			1																					1
Machinists	1	1	2	5	8	3	7	7	6	2	10	9	1	1	2	1		1	1					68
Masters, Mates and Pilots																1								1
Meat Cutters and Butcher Workmen	2			2	3	1	2								1			1						12
Metal Polishers		1					1																	2
Metal Trades Council											1													1
Moulders and Foundry Workers			1	1																				2
Office Employees				4	3		1		2			2				2	1		2		1			18
Operating Engineers								1			2					1		1	1					6
Operative Potters					1	2																		3
Papermakers	5	6	4	2		1							1	4		2								25
Plumbers and Steamfitters									1	1														2
Printing Pressmen		1	2	1								1		2										7
Pulp, Sulphite and Papermill Workers	6	8	5	3	3		3		1					2	1	1							1	34
Railway and Steamship Clerks												1												1
Retail Clerks				2								1												3
Stereotypers and Electrotypers							1																	1
Street, Electric Railway and Motor Coach Employees							1		2	1	1	4				1					1			11
Teamsters	1			1	2	2		1	1	1		2				2								13
Textile Workers	1	1		1	1		1															1	1	6
Upholsterers				2																				2
Wall Paper Workers	1																							1
Other AFL		1	2			1			2			1		1		1	1				1			11
TOTAL AFL	28	33	37	50	34	26	24	14	35	10	22	34	2	11	4	23	3	6	4	2	5		5	412
CIO																								
Automobile Workers (UAW)	7	7	12	4	4	4	6	4	2	2	3	3			1						1			60
Brewery Workers	1			1	1	1	2	2	2	2	1	3												16
Clothing Workers, Amalgamated				3																				3
Communication Workers							2	5	2	2	2	4												17
Electrical Workers (IUE)	1	1	6	5	4	6	3	2	1		3	1												33
Furniture Workers	1	1	2														2	1						7
Gas, Coke and Chemical Workers	3		2	4	2	3	3	6	11			5		1	1	1	2	1						45
Glass, Ceramic and Silica Sand Workers	2						2																	4
Industrial Union of Marine and Shipbuilding Workers																						1		1
Oil Workers	1					1	1	1			1	7												12
Packinghouse Workers					1				2															3
Paper Workers	3	8	3	8	6	4	4	1	2			1	4	1									1	46
Playthings, Jewelry and Novelty Workers		1	1	1								1											1	5
Retail, Wholesale and Dept. Store Workers		1				1						1												3
Rubber Workers			2	1	2		1		9	1		2					1							19
Service and Production Employees						1																		1
Steel Workers			1	3			1		2			11									1	1		20
Textile Workers	1	1	4	11		3	3	2	4	2	1	1				3				1			6	43
Transport Workers				1					3			3			1	1								9
Utility Workers	1	1		1	1	1				2	1	1		1						1				11
Woodworkers	1	1		2			1																1	6
Other CIO				1	1			1				1												4
TOTAL CIO	22	22	33	46	22	25	29	24	40	11	12	45	4	3	3	5	5	2		2	2	2	9	368

Table 2: Wage Increases by Unions, January-December 1952—Continued

Union	Hourly Increases in Cents												Percentage Increases										No Wage Change	Total Settlements
Independent	.01-.2	.2.01-.3	.3.01-4.99	.5	.5.01-.6	.6.01-.7	.7.01-.8	.8.01-.9	.9.01-.10	.10-.11	.11.01-.12	Over .12	.01-.2	.2.01-.3	.3.01-.4	.4.01-.5	.5.01-.6	.6.01-.7	.7.01-.8	.8.01-.9	.9.01-.10	Over .10		
AMSCO Employees, Inc.																			1					1
Chemical Workers				1																				1
Construction Workers		1				1						1												3
OPOWA			1	3	1		3	2		1	1												1	13
Electrical Workers (UE)	1		2	2		7	1	1	6	2	1	1		2										26
Fur and Leather Workers				1			1																	2
Furniture Workers, Upholsterers and Woodworkers						1																		1
Locomotive Engineers												1												1
Locomotive Firemen and Enginemen												2												2
Longshoremen and Warehousemen		1	2		1				2			2												8
Mine, Mill and Smelter Workers				1	1	4	9		6	1		4												26
Mine Workers		1		1	1	1																		4
Mine Workers, District 50	1	2	5	12	3	5	2	1	4	1						2	2		2	1			1	44
Oil Refinery Employees Ind. Assn.												1												1
Railroad Trainmen				1		1		1				4												7
Railway Conductors											1													1
Other Independent		1	1									1			2				1				1	7
TOTAL INDEPENDENT	2	6	11	22	7	20	16	5	18	5	3	17		2	2	2	2		4	1			3	148
No Union	1	1	2		1		1									1				1	1			9
Union Not Indicated	2	1	1	4	2	1		1	2			2							1					17
TOTAL	3	2	3	4	3	1	1	1	2			2				1			1	1	1			26
OVERALL TOTAL	55	63	84	122	66	72	70	44	95	26	37	98	6	16	9	31	10	8	9	6	8	2	17	954
(AFL, CIO, Ind., No Union, Union Not Indicated)																								

Source: THE CONFERENCE BOARD

Table 3: Salary Increases by Industry Reported January-December 1952
Forty Hour Week Assumed

Industry	Hourly Increases in Cents												Percentage Increases										No Wage Change	Total Settlements
	.01-.2	.2.01-.3	.3.01-.4	.4.01-.5	.5.01-.6	.6.01-.7	.7.01-.8	.8.01-.9	.9.01-.10	.10.01-.11	.11.01-.12	Over .12	.01-.2	.2.01-.3	.3.01-.4	.4.01-.5	.5.01-.6	.6.01-.7	.7.01-.8	.8.01-.9	.9.01-.10	Over .10		
Chemicals			1	5	1	2	1		2		1						1				2			14
Communications							1	3	3	2	2	2									2			15
Electrical machinery	1	1	3		1		1		2			1		2	3	2		1			1			19
Fabricated metal products	1	1		1	1		1		1			1	1			1		1			1			11
Food					1							1			1									3
Furniture and fixtures								1																1
Leather					1											1								2
Machinery—except electrical	1	1			1	1		1				1		1	2		2				1	1		13
Paper and allied products		2	1	2									2	3		1	1	1						13
Petroleum					1					1		3			3	3								11
Primary metal products	1				1	1	3	1				3		1	2				1		1	1	1	17
Printing and publishing				1	1				1			3					1							7
Professional, scientific and controlling instruments								1			1	3								4	1			10
Public utilities	1	3		1					2	1		3			1	4	2		2	1				21
Retail trade																1								1
Rubber			1						3							4								8
Stone, clay and glass		1								1		1				1			1					5
Textiles		1	2	2				1		1						2	1	1	1	1	3		2	15
Transportation							1	1	1		1	2						1						7
Transportation equipment	1	1	3	1		1			2	2	1	4		1	1	1	1	1	2			1		24
Miscellaneous—mfg.												1			1	1							1	4
Miscellaneous—non-mfg.							1					1		1		1						1		5
TOTAL	6	11	11	13	9	5	9	9	17	8	6	30	3	9	14	23	9	6	7	6	10	4	4	229

Source: THE CONFERENCE BOARD

more or less unique. Unlike some of the earlier post-war years when across-the-board settlements were made according to pretty much of a standard pattern or formula, last year's settlements appeared to reflect the profit position of the particular industry. And, of course, within each industry some companies did well and others poorly.

Generalizing on the basis of the table, transportation equipment, public utilities and primary metals gave the largest increases, followed by chemicals, electrical machinery, machinery other than electrical, retail trade and food. The perennially depressed textile group was at the bottom of the list with nine out of fifty-nine main settlements providing no money increase.

SALARIED EMPLOYEES

For comparative purposes, salary advances were converted to cents-per-hour equivalents on the basis of a forty-hour week. The 12-cents-an-hour-and-over category was reported most often, with 10 cents and 5 cents following. Viewing the salary raises in per cent terms, the 5% group was the one most often reported, with the 3.01% to 4% category second, and the 9.01% to 10% third.

FRINGE OR PLUS WAGE BENEFITS

In 1952, 433 wage adjustments, confirmed by the Board, granted a total of 809 fringe benefits or plus wage benefits of one type or another. More liberal vacations occurred most frequently (191 times). Medical and hospitalization insurance followed (180 cases). Added holidays (158 cases) constituted the next most popular benefit. Shift premiums or differential increases, paid leave for personal reasons, pensions, and increased overtime pay followed in that order. Company retirement plans were found in only four cases (see Table 4).

PHILIP KORN
GRACE MEDVIN
Statistical Division

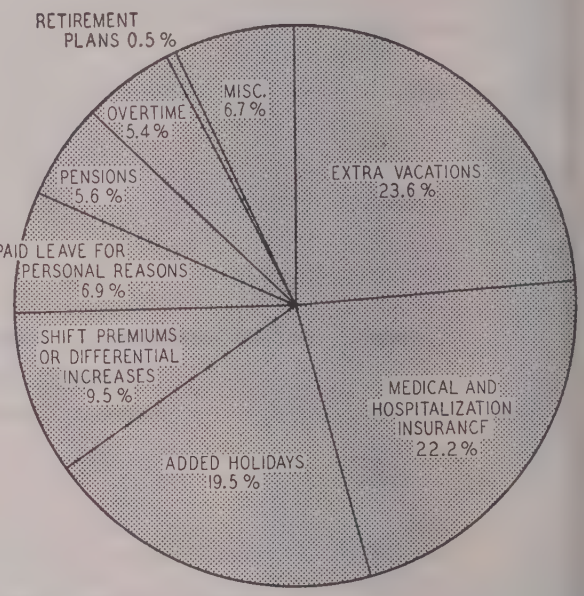
Table 4: Fringe or Plus Wage Benefits[1]
January to December, 1952

Benefit	*No. of Times Granted*
Extra vacations	191
Medical and hospitalization insurance	180
Added holidays	158
Shift premium or differential increase	77
Paid leave for personal reasons	56
Pensions	45
Overtime pay	44
Retirement plans	4
Miscellaneous	54
TOTAL	809

Source: THE CONFERENCE BOARD

[1] Fringe or plus wage benefits were granted in 433 settlements of which 192 contained more than one benefit.

Chart 3: Fringe or Plus Wage Benefits Granted in 1952 433 Settlements[1]



Source: THE CONFERENCE BOARD

[1] About half of these settlements granted more than one benefit.

Course for Industrial Nurses and Personnel Representatives

A course for industrial nurses and personnel representatives is scheduled for April 30 through May 2 at the University of Minnesota Center for Continuation Study in Minneapolis. The conference will include plant tours to point up the hazards of industry and to emphasize plant catastrophe programs. It will devote special attention to job descriptions of industrial nurses.

This will be the eighth similar conference to be held. Approximately seventy-five to ninety persons have attended each conference in the past. The sponsoring groups, in addition to the Center for Continuation Study, are the Minnesota Nurses in Industry, Inc. and the Division of Industrial Health of the Minnesota Department of Health.

Significant Labor Statistics

Item	Unit	1953	1952						Year Ago	Percentage Change	
		Jan.	Dec.	Nov.	Oct.	Sept.	Aug.	July		Latest Month over Previous Month	Latest Month over Year Ago
Consumers' Price Index [1]											
All items	Jan. 1939=100	180.2	180.9	182.3	r 181.5	181.7	182.6	182.1	180.3	−0.4	−0.1
Food	Jan. 1939=100	233.1	236.1	l 241.3	239.9	241.0	k 243.9	243.2	240.3	−1.3	−3.0
Housing	Jan. 1939=100	128.2	127.6	126.8	r 126.2	125.7	125.5	125.2	124.5	+0.5	+3.0
Clothing	Jan. 1939=100	150.6	150.6	150.6	150.5	150.8	150.5	150.7	153.7	0	−2.0
Men's	Jan. 1939=100	167.5	167.4	167.4	167.4	167.4	167.9	168.2	171.2	+0.1	−2.2
Women's	Jan. 1939=100	136.3	136.3	136.3	136.1	136.6	135.7	135.9	138.8	0	−1.8
Fuels	Jan. 1939=100	140.4	140.0	138.4	137.9	136.3	135.8	134.8	135.9	+0.3	+3.3
Electricity	Jan. 1939=100	92.6	92.6	92.6	92.7	93.0	93.2	91.3	91.2	0	+1.5
Gas	Jan. 1939=100	103.0	102.8	102.7	102.7	102.9	102.8	102.8	102.1	+0.2	+0.9
Housefurnishings	Jan. 1939=100	163.7	165.6	165.7	164.4	165.1	165.1	164.8	169.1	−1.1	−3.2
Sundries	Jan. 1939=100	174.5	173.8	173.4	173.2	172.9	173.0	172.5	168.1	+0.4	+3.8
Purchasing value of the dollar	Jan. 1939 dollars	55.5	55.3	54.9	55.1	55.0	54.8	54.9	55.5	+0.4	0
All items (*BLS*)	1935–1939=100	*na*	a 191.0	a 191.6	a 191.5	a 194.1	a 192.8	a 192.4	a 190.2	*na*	*na*
Employment Status [2]											
Civilian labor force	thousands	62,416	r 62,921	63,646	63,146	63,698	63,958	64,176	61,780	−0.8	+1.0
Employed	thousands	60,524	r 61,509	62,228	61,862	62,260	62,354	62,234	59,726	−1.6	+1.3
Agriculture	thousands	5,452	r 5,697	6,774	7,274	7,548	6,964	7,598	6,186	−4.3	−11.9
Nonagricultural industries	thousands	55,072	r 55,812	55,454	54,588	54,712	55,390	54,636	53,540	−1.3	+2.9
Unemployed	thousands	1,892	r 1,412	1,418	1,284	1,438	1,604	1,942	2,054	+34.0	−7.9
Wage Earners [3]											
Employees in nonagricultural establishm'ts	thousands	p 47,244	r 48,890	r 48,026	r 47,908	47,789	47,124	46,006	45,913	−3.4	+2.9
Manufacturing	thousands	p 16,612	r 16,713	r 16,625	r 16,542	16,430	16,028	15,162	15,776	−0.6	+5.3
Mining	thousands	p 875	r 873	874	r 873	886	897	784	909	+0.2	−3.7
Construction	thousands	p 2,256	r 2,458	r 2,610	r 2,697	2,763	2,781	2,722	2,316	−8.2	−2.6
Transportation and public utilities	thousands	p 4,167	4,239	4,234	r 4,242	4,228	4,208	4,140	4,103	−1.7	+1.6
Trade	thousands	p 10,030	r 10,869	r 10,312	r 10,114	9,970	9,784	9,792	9,720	−7.7	+3.2
Finance	thousands	p 1,983	r 1,982	r 1,975	r 1,971	1,971	1,993	1,993	1,909	+0.1	+3.9
Service	thousands	p 4,671	r 4,705	r 4,733	r 4,774	4,829	4,844	4,855	4,671	−0.7	0
Government	thousands	p 6,650	r 7,051	6,663	6,695	6,712	6,589	6,558	6,509	−5.7	+2.2
Production and related workers in manuf'g											
Employment											
All manufacturing	thousands	p 13,418	r 13,527	r 13,452	r 13,377	13,285	12,886	12,061	12,766	−0.8	+5.1
Durable	thousands	p 7,805	r 7,816	r 7,713	7,583	7,444	7,146	6,559	7,264	−0.1	+7.4
Nondurable	thousands	p 5,613	r 5,711	r 5,739	r 5,794	5,841	5,740	5,502	5,502	−1.7	+2.0
Average weekly hours											
All manufacturing	number	p 41.1	r 41.8	41.2	41.4	41.3	40.6	39.9	40.8	−1.7	+0.7
Durable	number	p 42.0	r 42.7	42.0	42.2	41.9	41.0	40.2	41.8	−1.6	+0.5
Nondurable	number	p 39.8	r 40.5	r 40.3	r 40.4	40.4	40.0	39.5	39.5	−1.7	+0.8
Average hourly earnings											
All manufacturing	dollars	p 1.734	r 1.732	1.718	1.705	1.696	1.669	1.648	1.640	+0.1	+5.7
Durable	dollars	p 1.841	r 1.843	1.829	r 1.819	1.810	1.768	1.733	1.726	−0.1	+6.7
Nondurable	dollars	p 1.578	r 1.572	r 1.562	1.550	1.545	1.542	1.545	1.520	+0.4	+3.8
Average weekly earnings											
All manufacturing	dollars	p 71.27	r 72.40	70.78	70.59	70.04	67.76	65.76	66.91	−1.6	+6.5
Durable	dollars	p 77.32	r 78.70	76.82	r 76.76	75.84	72.49	69.67	72.15	−1.8	+7.2
Nondurable	dollars	p 62.80	r 63.67	r 62.95	r 62.62	62.42	61.68	61.08	60.04	−1.4	+4.6
Straight time hourly earnings											
All manufacturing	dollars	e 1.672	r 1.659	1.654	1.638	1.632	1.616	1.605	1.586	+0.8	+5.4
Durable	dollars	e 1.762	r 1.753	1.750	r 1.737	1.732	1.706	1.683	1.653	+0.5	+6.6
Nondurable	dollars	e 1.539	r 1.523	r 1.515	r 1.502	1.497	1.500	1.509	1.485	+1.1	+3.6
Turnover rates in manufacturing [3]											
Separations	per 100 employees	p 3.8	r 3.4	3.5	4.2	4.9	4.6	5.0	4.0	+11.8	−5.0
Quits	per 100 employees	p 2.2	1.7	2.1	2.8	3.5	3.0	2.2	1.9	+29.4	+15.8
Discharges	per 100 employees	p 0.4	0.3	0.4	0.4	0.4	0.3	0.3	0.3	+33.3	+33.3
Layoffs	per 100 employees	p 0.9	r 1.0	0.7	0.7	0.7	1.0	2.2	1.4	−10.0	−35.7
Accessions	per 100 employees	p 4.4	3.3	4.0	5.2	5.6	5.9	4.4	4.4	+33.3	0

[1] The Conference Board
[2] Bureau of the Census
[3] Bureau of Labor Statistics
na Not available at time of publication

a Adjusted indexes:
July, 190.8; Aug., 191.1; Sept., 190.8; Oct., 190.9; Nov., 191.1; Dec., 190.7; Jan., 190.4; year ago, 189.1.
e Estimated
New revised BLS index—1947–1949=100. Jan., 1953, 113.9.

k Based on food prices for August 18, 1952
l Based on food prices for November 12, 1952

p Preliminary
r Revised

A Housekeeping Control Program

Good housekeeping in a factory means fewer accidents and more efficient production. Here's how one company handles the problem

THERE IS NOTHING haphazard about housekeeping at the Norris-Thermador Corporation's plants in California. It is not an occasional clean sweep that keeps materials-handling operations in tidy order, or that eliminates congested aisles, leaky faucets and rusty equipment. The noteworthy housekeeping at this metal manufacturing plant is achieved, instead, by a continuous control program administered by a three-man committee.

This control program has just marked its first annual milestone. It was set up in 1951 with the objective of improving plant operating efficiency and reducing operating losses.

Fifteen hundred direct workers are employed at this plant. They produce such metal products as automobile wheels, pressed steel bathtubs, sinks, stainless steel and copper-bottom cooking utensils, as well as a broad line of high pressure gas containers. At the present time, manufacture of cartridge cases, rocket containers, rocket motor tubes, and cartridge tanks for the defense program make up a large percentage of their production.

Mechanical and hydraulic presses are grouped closely together for smooth flow operation. Much of the operation is disagreeable because of heavy lubrication and cull material that result from material passing through high-speed presses. This contributes to operating loss and reduced efficiency.

Because of these procedures, housekeeping has always been an important job at Norris-Thermador. But company officials realized that a stricter program could mean fewer accidents and more efficient production. The housekeeping control program was designed to do this.

An administrative committee was set up. It includes the director of industrial relations, the chief industrial engineer, and the factory manager, who is chairman of the group.

After studying a master layout of all factory and related outdoor production and storage areas, the committee divided the entire plant (with the exception of administrative and similar nonmanufacturing sections) into forty-four areas, each of which is normally under the control of a specific supervisor. This division of the plant allows delegation of housekeeping responsibilities to regular supervisors—a procedure considered suitable because janitors, wipers and sweepers are usually assigned directly to the foremen in charge of each area. The only exception to this is a small crew of janitors who report directly to the plant engineer and who maintain the administrative buildings, general aisle areas throughout the plant, parking lots and outside roadways.

Before announcing the plan to employees and supervisors, the administrative committee established a rating formula which could be used to judge the housekeeping performance of the forty-four areas.

A WORKING COMMITTEE INSPECTS

Who applies the rating formula? When does inspection take place?

Operating directly under the administrative committee is a three-man working committee. (The three men are selected from the same departments as the members of the administrative committee.) Members of the working committee must be on a supervisory level. They are appointed by the administrative group for a one-month period. An example of a working committee set up for one period would be a general foreman reporting to the factory manager; an industrial engineer reporting to the chief industrial engineer; and the chief safety engineer reporting to the industrial relations director.

It is the duty of this group to inspect the various areas in the plant, and grade them according to the factors outlined in the box, using the scale of values as shown in Figure 1. Figure 2 is the inspection and rating sheet used by the committee. (See next page.)

The committee's visit to any of the forty-four areas is not by appointment or with any forewarning. It is more of a surprise visit at the convenience of the committee. The group inspects the area, grades it, then gives a report to the chairman of the administrative committee.

A normal rating is considered by management to be satisfactory and to represent good housekeeping. The committee which does the rating may adjust the rating grades if its members find that the conditions which are responsible for a poor rating are beyond the supervisor's control.

For the first six months, the normal level was established as lower than desired—the reason for this was the changing personnel of the monthly inspection committee. It was found that the committees varied in the

The Rating Formula

Factors to be considered in performance ratings are listed under three main classifications as follows:

1. Conformance to Layout and Equipment Standards

- Unauthorized rearrangements—unauthorized movements of equipment from location established by approved layouts.
- Damaged or obsolete equipment—improperly guarded or unsightly equipment, machines, and fixtures which are damaged, unpainted, or defaced.
- Congested portable equipment—air gums, drill motors, or portable equipment placed so as to hamper operations and safety.
- Leaks—air, gas, water, oil, cooling hazards, leakage from containers, tanks, pipes, press pits or other receptacles.
- Blocking of restricted fire and safety zones and aisles.

2. Materials-Handling Equipment

- Protrusions—from racks, bins, benches, file cabinets, or desks which might cause a hazard.
- Unstable piles—top-heavy or unbraced piles, toppling boxes or containers.
- Cluttered aisles—boxes, waste and cigarette receptacles, storage racks, pieces or piles of materials, tote pans, and skids left in aisles and walkways in such a manner as to create a hazard and retard operations.
- Overloaded equipment—structures, frames, racks, shelves, tote pans and skids improperly loaded or loaded beyond their capacity.
- Makeshift equipment—improper use of standard equipment; use of makeshift equipment when standard is available.

3. Cleanliness and Orderliness

- Dirty floors and walls—dirt and oil accumulation in aisles, and in work areas under benches, machines, racks, desks; misuse of waste and cigarette receptacles.
- Needlessly unclean equipment—dirty benches, racks, machines, tote pans, etc.; dust, filings, chips, scraps of work, and rubbish allowed to accumulate.
- Unclean rest rooms—fountain facilities adjacent to the area; lack of use of disinfectants; lack of soap, paper, towels, etc.
- Personal items—clothing, lunchboxes, or packages hung or lying on benches, machines, desks, etc., and not in spaces provided or on coat racks.
- Rubbish and scrap—cigarette butts, papers, bottles, racks on floors, machinery and benches; in yards or any other location except proper containers; use of other than proper containers for rubbish accumulation.
- Projections and hazards—nails, rough jagged corners, broken glass, hanging wires, broken flooring and paving, etc.
- Alignment and orderliness of floor, yard and warehouse storage (skids, pallets, racks, barrels, boxes, equipment, sheet stock, tools, material packing and supplies, and work in process).

hings they looked for and the manner in which they ated. But six months of alternating committees, the ompany believed, would erase the inequalities of nspection. By that time everyone would become miliar with standards and grading formula so that a igher norm could be established. This procedure was ound to be effective and has been continued.

ISSUING REPORTS

After the periodic inspection, it is the duty of the ndustrial engineering department to issue a monthly ummary-rating report showing the zone, responsible upervisor, current month's rating, previous month's ating, and rating to date. This report is given to the dministrative committee. And that group in turn otifies each supervisor about his department's rating nd gives an individual report to all members of mangement.

The company's house organ, "Norris Nooz," publishes the housekeeping score for the three top-ranking epartments. A fourth score which is published is the west one in the entire plant and this is identified nly by a question mark. The committee believes here is a psychological benefit in not belittling the responsible supervisor and department by identifying them. It also believes that general curiosity concerning the lowest on the list will spur each department to raise its norm.

Following is an example of the scores run in a recent monthly issue of the plant paper:

Plant Housekeeping Scores
(Date of Month)

"The four supervisors whose departments rated highest in the monthly plant housekeeping inspection ratings are listed below. Number five is low man on the totem pole. His name is gracefully omitted to encourage him to 'get out from under' and move up to the top. The top departments for September will be published in next month's paper. Will your department be among them?

"1. [Name of supervisor] 98
2. [Name of supervisor] 93
3. [Name of supervisor] 93
4. [Name of supervisor] 93
5. [? ? ?] ..... 47"

WHAT ARE THE RESULTS?

The administrative committee members report that since the plan's inception there has been a decided

improvement in quality control, safety and labor hours. However, they point out, it is difficult to determine whether all the savings are a result of the housekeeping program. This is because other continuous programs in cost control, quality control, and general methods improvements in tooling and production facilities have been instituted. But the committee feels that the housekeeping procedure has played an important role in these improvements.

Another important achievement pointed out by the committee is that supervisors have learned that housekeeping is not a matter of occasional neatness or carefulness; it is a continual process to be practiced daily. And, more important, the supervisors are getting this idea across to the men under them who must understand and carry out these housekeeping practices.

Since management does not allow the supervisor

Figure 1: Plant Housekeeping Rating Values

	Poor		Fair		Normal		Excellent
Conformance to layout and equipment standards	☐ 9	☐ 13	☐ 16	☐ 19	☐ 21	☐ 23	☐ 25
Materials handling and storage	☐ 12	☐ 18	☐ 23	☐ 27	☐ 30	☐ 33	☐ 35
Cleanliness and orderliness	☐ 14	☐ 20	☐ 26	☐ 30	☐ 34	☐ 37	☐ 40

Figure 2: Plant Housekeeping Inspection and Rating Sheet

Zone and description _____ Inspection month _____

Dept. name and bldg. _____ Inspection date _____

Assigned zone responsibility _____ Previous rate _____

Working inspection committee:
Factory mgr. _____ Ind. eng. _____ Ind. relations _____

	Poor	Fair	Normal	Excellent
Conformance to layout and equipment standards	☐	☐	☐	☐

Reasons:

	Poor	Fair	Normal	Excellent
Materials handling and storage	☐	☐	☐	☐

Reasons:

	Poor	Fair	Normal	Excellent
Cleanliness and orderliness	☐	☐	☐	☐

Reasons:

Plant housekeeping committee by _____ Rate _____

ıy additional hours for housekeeping and maintenance, he knows it must be a continuous job of supersing each operation and each operator on an hourly ıd daily maintenance schedule. The standards have een set so that an allowance is made for each operaon on an hourly control. Cost hours on particular erformances are reflected daily. If a supervisor's performance record shows that all housekeeping hours are accumulated for one specific period, the record is considered poor. It has been found that it takes longer to maintain and clean a department on a one-shot basis than it does by the continuous approach.

Doris M. Thompson
Division of Personnel Administration

Briefs on Personnel Practices

Speak Up—Speak Easy

A class to help employees speak effectively, begun ı January at Raybestos-Manhattan, Inc., was the ourteenth such class conducted in this company. aybestos has offered employee-speaking classes for en years, and to date there have been more than 00 graduates. Upon completion of the speaking ourse, the graduates become eligible for membership ı the Raybestos speakers' club.

Speakers' clubs are growing in popularity as a part f employee recreation programs. Northrop Aircraft alls its organization a toastmasters club. Eastman Kodak Company has a speak easy club.

abor Relations a Part of Personnel Administration?

In 1946, the Hammermill Paper Company divided s industrial relations department and set up two eparate departments, one for personnel and one for abor relations. Recently, management decided to onsolidate the two departments again "to create more unified and effective personnel organization." Hammermill returned to the old name and again has n industrial relations department.

A Program To Improve Employee Health

Various industrial concerns in the Philadelphia area re cooperating with the Chamber of Commerce of reater Philadelphia and the University of Pennsylania in a twelve-week health-betterment campaign. special series of twelve lectures and discussion eriods are being held. The series started February 8 and continues until May 6 at the University of ennsylvania School of Medicine in Philadelphia. ectures are given every Wednesday afternoon during is period.

Plant medical directors, physicians, safety engieers, industrial nurses and other supervisors of emloyee welfare are among the representatives of ıdustrial concerns who attend the lecture course in ıe surgical amphitheater of the university hospital. Specialists in the industrial field of occupational health are among the lecturers.

The program is the result of the work of a joint committee representing the industrial health section of the Philadelphia Chamber of Commerce's safety council and the University of Pennsylvania School of Medicine. Dr. Glenn S. Everts, medical director of the Curtis Publishing Company and chairman of the Chamber of Commerce's industrial health section, and Dr. John P. Hubbard of the University of Pennsylvania have worked out details for the plan.

A few of the remaining subjects for the weekly programs concern employment of the handicapped, an evaluation of cardiac workers, the status of the industrial nurse, the philosophy of industrial medicine, the doctor and compensation laws, dust diseases, psychiatry in industrial medicine and retirement problems. The final lecture will be "The Industrial Physician in Personnel Relations," given on May 6. The speaker will be H. W. Jones, general manager of industrial relations, the Atlantic Refining Company.

Office Readers Want Plant News, Too

In January, separate publications for production employees and office workers of the General Electric Company at Schenectady were consolidated, to become the *GE Schenectady News*.

Growing interest on the part of readers in the activities of other departments was causing the two newspapers to duplicate each other considerably. News about company plans and policies, sports and recreation, features on work of individual departments and classified ads were among the many types of material that were the same in both papers.

Letters received by management pointed out that many employees had worked in several departments. Some had friends and relatives in other departments, and thus were interested in GE activities all over the Schenectady area. A survey indicated that 84% of the readers of *Office News* would like a larger paper, covering activities in all parts of the plant. The reorganized paper is issued weekly.

Review of Labor Statistics

RETAIL PRICES in the thirty-nine United States cities covered by THE CONFERENCE BOARD'S consumers' price index moved downward for the second month in a row between mid-December and mid-January. The January index of 180.2 (January, 1939=100) was 0.4% below the previous month's level and 0.1% under the year-ago figure. This was the first time since the outbreak of war in Korea that the index registered even a slight decline over a twelve-month period. Since the all-time high of August, 1952, the index has fallen 1.3%.

Food prices again showed a substantial decline (1.3%). Beef and poultry continued to plunge, but higher pork prices were reported for the first time in four months. Many livestock men believe that the peak of the annual rush of hogs to market has now passed and that prices will move up during the next few months. Veal and lamb prices were mixed; eggs, milk, butter and lard moved down; canned peas and corn showed slight increases. Of the fresh fruits and vegetables priced, carrots, lettuce and oranges were cheaper, while sweet potatoes, beans and spinach were higher. The January food index of 233.1 is the lowest since August, 1951. Over the year, food prices have dropped 3.0%.

The clothing and housefurnishings indexes are both below their January, 1952 level (2.0% and 3.2% respectively). Apparel prices remained unchanged between December and January and house furnishings dipped 1.1%. Housing costs (represented in the index by residential rents) rose 0.5% during the most recent month covered by the survey, bringing the housing index to 128.2, 3.0% above its level a year ago. Increases in the price of bituminous coal helped to push the fuel index up over the month, while higher gasoline prices contributed to the 0.4% rise in the sundries index. Both of these components have advanced more than 3% since January of last year.

The latest decline in the all-items index boosted the purchasing value of the dollar back up to its year-ago level of 55.5 cents (January, 1939=100 cents). This represents an increase in value of 0.4% over the month.

EMPLOYMENT

Census Bureau estimates show that civilian employment declined for the second straight month between December, 1952, and January, 1953. Total civilian employment for January was 60.5 million, 985,000 under the preceding month and 1.7 million below November. The Census Bureau emphasizes, however, that this is a "normal midwinter decline," resulting from a seasonal curtailment in farming, construction, and other outdoor work, as well as post-holiday layoff in retail trade. It should be noted also that the January job total is still the highest on record for that month, topping the year-ago figure by 789,000.

Most of the December to January drop took place in nonfarm industries where employment fell to 55.1 million, 700,000 under the all-time high of 55.8 million in December. This decrease is expected for January because of layoffs in trade and construction. As compared with January, 1952, however, the estimates show that nonagricultural employment is up about 1.5 million. According to the Census Bureau this over-the-year gain "is one of the largest recorded in many months."

Farm employment also decreased, dropping from 5,700,000 in December to 5,452,000 in January.

The unemployment total for January was 1.9 million. This total is 480,000 above December, but still 162,000 less than the year-earlier figure of 2,054,000. Many of those added to unemployment rolls in January were construction workers laid off as a result of seasonal cutbacks. In January only 3.0% of all civilian workers were unemployed, as compared with 3.3% a year earlier.

The total civilian labor force, which includes both employed and unemployed, decreased by about 505,000 between December and January to 62.4 million persons. But there was an approximate increase of 600,000 over the January, 1952, figure of 61.8 million.

The Bureau of Labor Statistics, in its monthly estimate of nonagricultural employment,[1] says that about 1.3 million more people were at work in industries unrelated to agriculture during January, 1953, than a year earlier. In January, 1953, total nonfarm employment was estimated at 47.2 million as compared with 45.9 million in January, 1952. The recovery of consumer goods manufacturing from last winter's slump was chiefly responsible for the higher employment figure. Manufacturing employment showed a 5.3% rise over the year. Employment in retail trade also was up substantially over the year.

Total nonfarm employment for January was about 1.7 million under December, 1952, when many tem-

[1] Based on reports submitted by industry and business.

porary sales clerks and postal employees were laid off after the Christmas rush.

Trade and contract construction showed seasonal declines between December and January. However, at 10.0 million, January employment in trade was 300,000 over a year ago, maintaining the post-World War II upward trend. Construction employment was only slightly below last year's record level for the season. Finance showed an over-the-year increase of 74,000 or 3.9%.

HOURS AND EARNINGS

Government statistics for January show that average hourly earnings of factory production workers remained at about the December, 1952, level. Gross weekly income fell off 1.6% because of a marked reduction in the work week. Average hourly earnings increased fractionally in January, rising from $1.732 in December to $1.734 in January. The over-the-year increase was 9.4 cents or 5.7%. Average weekly pay in manufacturing industries was estimated at $71.27 in January, a 6.5% increase over January, 1952, but $1.13 under December's all-time high of $72.40.

In mid-January, the average factory work week was 41.1 hours, a cut of more than forty minutes from the preceding month. This decrease is partly seasonal. The average factory work week in January still represented an increase over a year ago and a postwar high for the month.

DECEMBER TURNOVER RATES IN MANUFACTURING

Layoffs in the nation's factories increased considerably during December after holding near a post-World War II low for three straight months. Manufacturing plants laid off eleven workers for every thousand on their payrolls in December. This was in contrast to the low rate of seven per thousand in each of the three preceding months. Despite this increase, the layoff rate was still below the December, 1951, rate of fifteen per thousand—which was more than a third higher than the current figure.

The lumber and apparel industries showed the sharpest increases in layoffs from November to December, 1952. The December layoff rates for these industries were the highest for that month in a decade.

At the same time, factory hiring decreased in December to the lowest point in a year. In the last month of 1952, factories added only thirty-three new workers for every thousand on payrolls, as compared with forty per thousand in November, and the 1952 high of fifty-nine per thousand in August. This accession rate for December is only slightly higher than that of thirty per thousand in December, 1951.

Nearly all of the industries surveyed cut down hiring in December, mostly because of seasonal factors. In apparel, paper, and leather products, the decreases were greater than usual for the month.

As compared with a year ago, hiring is still up somewhat in most durable goods industries. In the consumer soft goods industries, the statistics show that hiring was down in December to a rate equal to the postwar low of 1949.

The quit rate for December dipped to seventeen per thousand employees from twenty-one per thousand in November because opportunities to shift jobs were reduced a bit.

The discharge rate decreased from four per thousand in November to three per thousand workers in December.

The total number of separations (which include quits, discharges, and layoffs), however, remained the same in December as in November—thirty-five per thousand. This rate of separation was the lowest for the year.

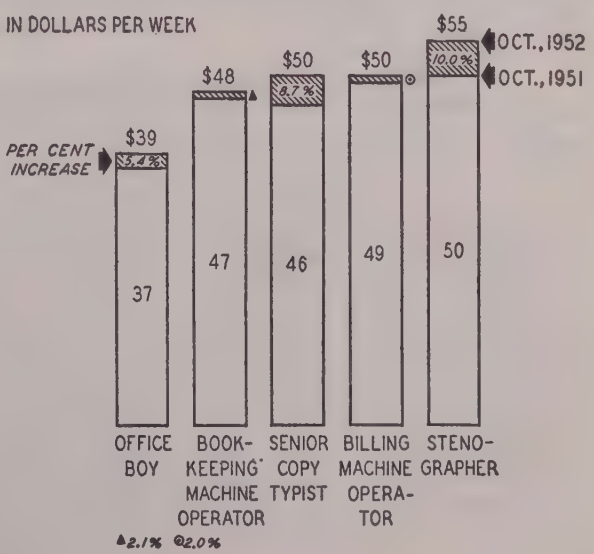
CLERICAL SALARIES RISE

The National Industrial Conference Board's annual survey of clerical salaries for October, 1952, recorded moderate increases from year-earlier levels. The accompanying chart reveals what happened for several of the key jobs surveyed (the complete report, "Clerical Salary Survey," *Studies in Labor Statistics*, No. 9, is in preparation).

For the five jobs included in the chart, the stenographer received the best raise over the year. The October, 1952, median for twenty cities was $55, against $50 in October, 1951, a 10% increase. Billing machine operators, however, had only a 2% raise over the year. These time-to-time comparisons must be

(Text continued on page 92)

Clerical Salaries—Median Rates for Key Jobs in Twenty Cities
October, 1951—October, 1952



Consumers' Price Indexes for Cities Surveyed Monthly

NOTE: *These indexes do NOT show intercity differences in price level or standards of living. They show only changes in consumers' prices in each city, which changes may be compared with those for other cities.*

City	Index Numbers Jan., 1939=100			Percentage Changes	
	Jan. 1953	Dec. 1952	Jan. 1952	Dec. 1952 to Jan. 1953	Jan. 1952 to Jan. 1953
Birmingham					
Food	232.2	231.5	237.0	+0.3	−2.0
Housing [1]	163.4	163.4r	160.3r	0	+1.9
Clothing	152.4	151.3	154.2	+0.7	−1.2
Fuel [4]	136.2	136.2	132.0	0	+3.2
Housefurnishings	171.0	171.2	172.5	−0.1	−0.9
Sundries	154.2	154.3	149.7	−0.1	+3.0
Weighted total	178.0	177.7r	177.5r	+0.2	+0.3
Boston					
Food	226.4	227.7	229.7	−0.6	−1.4
Housing [2]	129.2	129.2	124.6	0	+3.7
Clothing	140.7	141.8	138.6	−0.8	+1.5
Fuel [4]	179.9	179.9r	167.7	0	+7.3
Housefurnishings	156.5	156.1	164.1r	+0.3	−4.6
Sundries	166.2	165.9	164.5	+0.2	+1.0
Weighted total	178.8	179.3	177.5	−0.3	+0.7
Chicago					
Food	240.4	245.9	250.6	−2.2	−4.1
Housing [1]	140.3	136.5r	132.5	+2.8	+5.9
Clothing	146.4	146.4	150.2	0	−2.5
Fuel [4]	120.6	120.6	117.9	0	+2.3
Housefurnishings	159.8	159.8	161.5r	0	−1.1
Sundries	176.7	176.4	172.0	+0.2	+2.7
Weighted total	183.0	183.9r	183.6	−0.5	−0.3
Denver					
Food	238.1	239.2	240.0	−0.5	−0.8
Housing [3]	128.5	128.5	128.2	0	+0.2
Clothing	163.1	163.1	167.5	0	−2.6
Fuel [4]	106.4	106.4	108.2	0	−1.7
Housefurnishings	158.1	158.2	165.8	−0.1	−4.6
Sundries	159.8	159.6	155.7	+0.1	+2.6
Weighted total	175.3	175.6r	175.5	−0.2	−0.1
Detroit					
Food	248.2	248.4	250.1	−0.1	−0.8
Housing [2]	134.1	134.1	130.2	0	+3.0
Clothing	146.8	146.6	154.5	+0.1	−5.0
Fuel [4]	161.9	161.8	159.8	+0.1	+1.3
Housefurnishings	167.6	167.9	171.2	−0.2	−2.1
Sundries	185.3	184.7	177.8	+0.3	+4.2
Weighted total	187.3	187.2	185.8	+0.1	+0.8

City	Index Numbers Jan., 1939=100			Percentage Changes	
	Jan. 1953	Dec. 1952	Jan. 1952	Dec. 1952 to Jan. 1953	Jan. 1952 to Jan. 1953
Indianapolis					
Food	247.4	247.8r	247.7	−0.2	−0.1
Housing [3]	125.6	125.6	123.1	0	+2.0
Clothing	144.6	144.6	146.9	0	−1.6
Fuel [4]	162.4	162.3	159.0	+0.1	+2.1
Housefurnishings	159.1	159.1	160.6	0	−0.9
Sundries	178.9	179.0	173.6	−0.1	+3.1
Weighted total	183.8	183.9r	181.9	−0.1	+1.0
Los Angeles					
Food	228.4	235.9	244.6r	−3.2	−6.6
Housing [1]	143.1	143.0	141.4	+0.1	+1.2
Clothing	141.6	142.0	143.6r	−0.3	−1.4
Fuel [4]	101.1	101.1	97.7	0	+3.5
Housefurnishings	159.8	160.1	164.9	−0.2	−3.1
Sundries	170.0	170.1	163.5	−0.1	+4.0
Weighted total	176.1	178.5	178.8	−1.3	−1.5
New Orleans					
Food	250.1	248.1	250.5r	+0.8	−0.2
Housing [3]	155.8	155.8	130.8	0	+19.1
Clothing	156.0	156.0	159.3	0	−2.1
Fuel [4]	93.3	93.3	92.5	0	+0.9
Housefurnishings	172.9	171.6	175.7	+0.8	−1.6
Sundries	147.4	147.7	147.9	−0.2	−0.3
Weighted total	186.4	185.6	183.3	+0.4	+1.7
New York					
Food	220.6	223.1r	228.4	−1.1	−3.4
Housing [2]	107.8	107.8	105.8	0	+1.9
Clothing	152.0	151.9	154.5	+0.1	−1.6
Fuel [4]	141.1	140.8	134.2	+0.2	+5.1
Housefurnishings	159.7	164.9	167.8r	−3.2	−4.8
Sundries	177.3	177.2	173.9	+0.1	+2.0
Weighted total	173.1	174.1	174.8	−0.6	−1.0
Philadelphia					
Food	222.6	225.4	226.5	−1.2	−1.7
Housing [3]	117.8	117.8	117.4r	0	+0.3
Clothing	143.1	142.8r	144.5r	+0.2	−1.0
Fuel [4]	163.4	161.7	158.9	+1.1	+2.8
Housefurnishings	176.6	176.4	186.0r	+0.1	−5.1
Sundries	180.8	176.2	164.9	+2.6	+9.6
Weighted total	180.1	179.8	177.6r	+0.2	+1.4

Source: THE CONFERENCE BOARD

[1] Rents surveyed January, April, July, October.
[2] Rents surveyed February, May, August, November.
[3] Rents surveyed March, June, September, December.
[4] Includes electricity and gas.
r Revised.

Consumers' Price Index for Ten United States Cities, and Purchasing Value of Dollar

Index Numbers, January, 1939 = 100

Date	Weighted Average of All Items	Food	Housing[1]	Clothing			Fuel[2]			House-furnishings	Sundries	Purchasing Value of the Dollar
				Total	Men's	Women's	Total	Electricity	Gas			
1952 January	179.0	237.5	120.9	151.2	167.3	137.5	133.1	90.0	103.7	168.6	170.1	55.9
February	176.3	230.7	121.1	150.1	166.3	136.5	133.0	90.0	103.7	168.3	169.0	56.7
March	176.7	231.0	121.2	149.8	166.0	136.1	133.2	90.0	104.3	167.0	170.1	56.6
April	178.4	234.3	121.4	149.7	165.8	136.1	133.3	90.0	104.9	166.9	172.1	56.1
May	178.9	236.6	121.5	149.4	165.2	136.1	130.6	90.0	104.8	165.5	172.2	55.9
June	179.0	237.0	121.5	148.8	164.7	135.4	130.9	90.0	104.8	165.0	172.3	55.9
July	180.4	239.8	121.7	148.5	164.6	135.0	131.7	90.0	104.8	164.3	173.6	55.4
August	180.8	240.6	122.0	148.2	164.3	134.7	132.9	92.2	104.8	164.5	174.0	55.3
September	179.9	237.7	122.1	148.4	163.7	135.5	133.7	92.2	104.8	164.5	174.0	55.6
October	179.8	236.5	122.7	148.1	163.8	134.8	135.3	92.2	104.6	163.6	174.4	55.6
November	180.6	238.3	123.3	148.2	163.8	135.0	135.9	92.0	104.6	164.8	174.5	55.4
December	179.3	233.2r	124.1	148.2	163.8	135.0r	137.6	92.0	104.6	164.7	175.0	55.8
Annual average	179.1	236.1	122.0	149.1	164.9	135.6r	133.4	90.9	104.5	165.6	172.6	55.8
1953 January	178.5	230.2	124.8	148.2	163.8	135.1	137.9	92.0	104.6	162.7	175.7	56.0
Percentage Changes												
Dec. 1952 to Jan. 1953	−0.4	−1.3	+0.6	0	0	+0.1	+0.2	0	0	−1.2	+0.4	+0.4
Jan. 1952 to Jan. 1953	−0.3	−3.1	+3.2	−2.0	−2.1	−1.7	+3.6	+2.2	+0.9	−3.5	+3.3	+0.2

[1] Rents surveyed quarterly in individual cities
[2] Includes electricity and gas
r Revised

Consumers' Price Indexes for Cities Surveyed Quarterly

NOTE: *These indexes do NOT show intercity differences in price level or standards of living. They show only changes in consumers' prices in each city, which changes may be compared with those for other cities.*

	Index Numbers Jan., 1939 = 100			Percentage Changes	
	Jan. 1953	Oct. 1952	Jan. 1952	Oct. 1952 to Jan. 1953	Jan. 1952 to Jan. 1953
Baltimore					
ood	233.7	239.3r	240.3	−2.3	−2.7
ousing	119.0	116.8	116.8	+1.9	+1.9
othing	154.0	153.5	156.7	+0.3	−1.7
uel [1]	162.1	157.5r	155.7	+2.9	+4.1
ousefurnishings	192.4	193.0	196.7	−0.3	−2.2
undries	172.5	172.5	161.5	0	+6.8
Weighted total	182.4	183.6r	181.6	−0.7	+0.4
Bridgeport					
ood	226.6	232.5	232.3	−2.5	−2.5
ousing	118.6	118.6r	116.2	0	+2.1
othing	145.0	144.8	148.1	+0.1	−2.1
uel [1]	171.1	167.2	162.1	+2.3	+5.6
ousefurnishings	161.8	162.6	164.4	−0.5	−1.6
undries	189.1	182.0	180.4	+3.9	+4.8
Weighted total	181.0	180.8r	179.7	+0.1	+0.7
Erie					
ood	253.7	261.1	260.7	−2.8	−2.7
ousing	141.9	137.1r	134.1	+3.5	+5.8
othing	174.4	175.9	180.3	−0.9	−3.3
uel [1]	179.1	176.4	170.2	+1.5	+5.2
ousefurnishings	169.5	169.3	171.1	+0.1	−0.9
undries	180.5	175.3	171.2	+3.0	+5.4
Weighted total	195.8	195.7	193.8	+0.1	+1.0
Grand Rapids					
ood	237.3	242.4	244.6	−2.1	−3.0
ousing	180.2	180.0r	173.8	+0.1	+3.7
othing	140.0	142.6	141.3	−1.8	−0.9
uel [1]	162.3	161.6	157.6	+0.4	+3.0
ousefurnishings	174.7	173.9	179.0	+0.5	−2.4
undries	176.5	176.7	172.3	−0.1	+2.4
Weighted total	189.7	191.5r	189.5	−0.9	+0.1
Houston					
ood	233.4	237.0r	239.1	−1.5	−2.4
ousing	143.5	143.5r	137.7	0	+4.2
othing	150.2	150.2	156.0	0	−3.7
uel [1]	90.1	81.8	81.8	+10.1	+10.1
ousefurnishings	143.0	142.9	147.0	+0.1	−2.7
undries	167.5	167.5	163.0	0	+2.8
Weighted total	174.2	174.8	173.8	−0.3	+0.2
Minneapolis-St. Paul					
Food	247.5	257.1r	254.0	−3.7	−2.6
Housing	113.0	113.0	113.0	0	0
Clothing	154.8	154.2	157.9	+0.4	−2.0
Fuel [1]	143.8	143.7	141.9	+0.1	+1.3
Housefurnishings	178.2	177.8	182.1	+0.2	−2.1
Sundries	180.1	177.2	174.0	+1.6	+3.5
Weighted total	182.8	184.6	183.2	−1.0	−0.2
Newark					
Food	234.9	237.2r	235.9	−1.0	−0.4
Housing	111.5	111.2r	109.8	+0.3	+1.5
Clothing	143.9	143.7	145.3	+0.1	−1.0
Fuel [1]	127.8	124.2	123.5	+2.9	+3.5
Housefurnishings	195.0	194.1	202.0	+0.5	−3.5
Sundries	168.2	166.8	150.4	+0.8	+11.8
Weighted total	178.5	178.7r	173.8	−0.1	+2.7
Roanoke					
Food	236.3	241.7	240.8	−2.2	−1.9
Housing	157.7	157.4r	157.0	+0.2	+0.4
Clothing	167.1	168.2r	171.9	−0.7	−2.8
Fuel [1]	152.1	151.2	148.6	+0.6	+2.4
Housefurnishings	175.2	173.8	178.9	+0.8	−2.1
Sundries	163.3	163.2	161.0	+0.1	+1.4
Weighted total	184.0	185.5r	184.9	−0.8	−0.5
Seattle					
Food	234.1	237.1r	240.8	−1.3	−2.8
Housing	138.6	136.9	135.2	+1.2	+2.5
Clothing	145.0	143.9r	145.3	+0.8	−0.2
Fuel [1]	141.0	139.7r	141.0	+0.9	0
Housefurnishings	182.4	182.1	178.5	+0.2	+2.2
Sundries	164.0	160.6	159.4	+2.1	+2.9
Weighted total	179.5	178.9	179.5	+0.3	0
Syracuse					
Food	239.9	243.8	243.3	−1.6	−1.4
Housing	125.2	124.9r	124.8	+0.2	+0.3
Clothing	160.5	161.2r	160.9	−0.4	−0.2
Fuel [1]	173.8	169.0r	164.1	+2.8	+5.9
Housefurnishings	172.5	176.3r	177.4	−2.2	−2.8
Sundries	155.3	154.4	151.9	+0.6	+2.2
Weighted total	176.7	177.3r	176.1	−0.3	+0.3

ource: THE CONFERENCE BOARD [1] Includes electricity and gas. r Revised.

Consumers' Index for Thirty-nine Cities, and Purchasing Value of the Dollar

Index Numbers, January, 1939 = 100

Date	Weighted Average of All Items	Food	Housing[1]	Clothing			Fuel[2]			House-furnish-ings	Sundries	Purchasing Value of the Dollar
				Total	Men's	Women's	Total	Electricity	Gas			
952 January	180.3	240.3	124.5	153.7	171.2	138.8	135.9	91.2	102.1	169.1	168.1	55.5
February	177.7	233.9	124.5	152.7	170.2	137.9	135.8	91.1	102.1	168.7	166.9	56.3
March	178.2	234.4	124.5	152.3	169.9	137.4	135.9	91.1	102.7	167.5	168.2	56.1
April	179.9	237.8	124.7	152.1	169.6	137.3	135.9	91.3	103.1	167.5	170.4	55.6
May	180.6	240.1	124.9	151.7	169.0	137.1	133.4	91.4	102.9	166.1	170.7	55.4
June	180.8	240.5	124.9	151.0	168.3	136.2	133.9	91.4	102.9	165.6	171.1	55.3
July	182.1	243.2	125.2	150.7	168.2	135.9	134.8	91.3	102.8	164.8	172.5	54.9
August	182.6	243.9	125.5	150.5	167.9	135.7	135.8	93.2	102.8	165.1	173.0	54.8
September	181.7	241.0	125.7	150.8	167.4	136.6	136.3	93.0	102.9	165.1	172.9	55.0
October	181.5r	239.9	126.2r	150.5	167.4	136.1	137.9	92.7	102.7	164.4	173.2	55.1
November	182.3	241.3	126.8	150.6	167.4	136.3	138.4	92.6	102.7	165.7	173.4	54.9
December	180.9	236.1	127.6	150.6	167.4	136.3	140.0	92.6	102.8	165.6	173.8	55.3
Annual average	180.7	239.4	125.4	151.4	168.7	136.8	136.2	91.9	102.7	166.3	171.2	55.3
953 January	180.2	233.1	128.2	150.6	167.5	136.3	140.4	92.6	103.0	163.7	174.5	55.5
Percentage Changes												
ec. 1952 to Jan. 1953	−0.4	−1.3	+0.5	0	+0.1	0	+0.3	0	+0.2	−1.1	+0.4	+0.4
an. 1952 to Jan. 1953	−0.1	−3.0	+3.0	−2.0	−2.2	−1.8	+3.3	+1.5	+0.9	−3.2	+3.8	0

[1] Rents surveyed quarterly in individual cities [2] Includes electricity and gas r Revised

qualified by the fact that the samples are not identical, for some companies drop out and others are added over the year.

WAGE ADJUSTMENTS

Thirty-eight contract settlements in twenty-seven firms, appearing in the press, were confirmed by the Board for the period ending February 15. Of this number, thirty-one were with wage earners, seven with salaried employees. Upwards of 145,000 people were covered. Hourly raises granted ranged from two cents to twenty-three cents, with the tendency toward the lower end of the range. Four-cent and five-cent increments appeared frequently, and there were also a few percentage increases.

Some of the more significant wage settlements of the month included the Raytheon Manufacturing Company settlement with the Brotherhood of Electrical Workers (AFL), involving 12,000 employees. Armour signed with three groups comprising 51,000 employees. Swift, in four settlements, signed with 37,680 employees.

In view of the fact that the Federal Government ceased processing wage cases on February 2, there will no longer be any indication of WSB approval pending. The Executive Order also stated that all pending wage and salary increases, as well as fringe benefits, will be granted immediately and retroactively. No agency approval of any kind is required. The order affects approximately 9,200 contract petitions pending and 1,500 reports on health and welfare plans. Enforcement actions in some 4,000 pending cases will be carried on, since the Presidential Order does not excuse past violations of the act.

Other Settlements

In addition to the settlements listed in the "Wage Adjustments" table, other contracts confirmed during the month included Cheyney Brothers, textile manufacturers, which announced a 10¾ cents hourly reduction. This settlement affected 1,450 wage earners, members of the CIO Textile Workers in Manchester, Connecticut, and 150 salaried employees with no union affiliation. The contract runs for five years, retroactive to August 1, 1952. Also in the textile industry, the Men's Neckwear Association of New York signed a three-year contract, effective September 1, 1952, with the CIO Clothing Workers, covering approximately 1,800 workers. The contract grants no change in wages, but allows for reopening annually, or upon a five-point change in the Bureau of Labor Statistics cost of living index.

The Association of Knitted Fabrics Manufacturers, in a wage reopening with the International Ladies' Garment Workers, AFL, granted hourly increases of 10 cents to knitters and 7½ cents to mechanics and other workers. This is a cost of living increase, which became effective November 17, 1952. In Salem, Massachusetts, the Naumkeag Steam Cotton Company announced a settlement with the CIO Textile Workers granting a cost of living adjustment.

Virginia Boschen
Philip Korn
Grace Medvin
Statistical Division

Saturday Holidays

Some companies that usually grant paid holidays only when they fall on work days are changing their minds this year. With Memorial Day and July 4th falling on Saturday, these companies believe that sticking with the usual practice would mean too long a stretch without a paid holiday. Companies granting the "standard six" find no paid holiday between January 1 and Labor Day. Some that grant more than six see no paid holiday between February 22 and Labor Day. Accordingly, some companies are planning to declare the Fridays prior to May 30 and July 4 as paid days off; others will grant the following Monday as paid holidays.

Jantzen Knitting Mills, Inc., for example, recently announced a change in personnel policy under which all holidays presently recognized by the company will be paid regardless of whether they fall on a work day or not. Any holidays falling on Saturday, under Jantzen's new practice, will be observed on Monday. For payroll purposes, any employee who works on the Saturday on which the holiday actually falls will receive normal overtime of time and one half. If he works on the Monday declared a holiday by Jantzen he'll get the holiday premium of double time.

While some companies are now reviewing their Saturday holiday practices, a Conference Board survey made late last fall (1952) showed that more than half of the companies gave an extra day's pay or an alternate day off to hourly employees when holiday fall on Saturday (see table).

Pay for Holidays Falling on Saturdays or Other Nonscheduled Workdays Other than Sunday

Practice	Hourly Employees No.	Hourly Employees %	Salaried Employees No.	Salaried Employees %
Total Companies	154	100.0	185	100.
Employees given added day's pay	50	32.5	10	5.
Employees given alternate day off	37	24.0	54	29.
Neither extra day nor pay	67	43.5	121	65.

Source: *Studies in Personnel Policy*, No. 130

Labor's New Leadership

SINCE NOVEMBER, 1952, both the AFL and the CIO have chosen new presidents. Since January, 1952, three of the nation's four largest unions —the Teamsters, Steelworkers and Carpenters—have also picked new presidents.

Thus, as the Republican Administration comes into power, the names and faces of top labor leadership have changed almost completely from those of 1933 when a Democratic Administration took over twenty years ago.

Walter Reuther was twenty-five years old in 1933 when the New Deal-Fair Deal era began. He had not yet started his climb to the CIO presidency. The idea of a CIO, for that matter, had not yet begun to cause rumblings in the AFL executive council. Prominent in the executive council at that time were Matthew Woll (Engravers), Frank Duffy (Carpenters), G. M. Bugniazet (Electrical Workers), and A. O. Wharton (Machinists). William Green was AFL president and Frank Morrison was the AFL's secretary. George Meany, then business agent of a Plumbers' Union local, was about to move into the top job of the New York State Federation of Labor.

The AFL per capita membership at the start of 1933 was 2,532,261. Its largest affiliate was the United Mine Workers, whose officers were John L. Lewis, president, and Philip Murray, vice-president. William Green had been secretary-treasurer of the UMW from 1912 to 1924.

A little later, during the heyday of labor's rapid rise, other names gained prominence in labor's top echelons. Sidney Hillman and David Dubinsky, with John L. Lewis, were key financiers of the CIO. Mine Workers John Brophy, Van Bittner, and Allan S. Haywood were important in organizing CIO unions. Edward F. McGrady of the Printing Pressmen, as Assistant Secretary of Labor, was known as labor's peacemaker. Dan Tobin became prominent not only as the Teamsters' union chief but as head of the labor division of the Democratic National Committee in the 1936, 1940 and 1944 election campaigns. All took part in organizing drives that brought total union members to the 15 million mark, and brought three unions to claimed memberships of over 1 million.

Among the names that were synonymous with union power and policy in the early New Deal days, few remain. John L. Lewis is the outstanding exception. A twenty-year span normally sees many leadership changes. But the greatest change in union leadership has occurred only within the past twelve months. To many, it is significant that the new leaders of the nation's largest unions rose to power during the New Deal-Fair Deal era. None has held a position of major union responsibility during anything but a pro-union administration.

Union Presidents Who Have Held Office From 1933 to 1953

Union	*President*
Mine Workers, ind.	John L. Lewis
Asbestos Workers, AFL	Joseph A. Mullaney
Bill Posters, AFL	Leo Abernathy
Bookbinders, AFL	John B. Hagerty
Boot and Shoe Workers, AFL	John J. Mara
Post Office Clerks, AFL	Leo E. George
Railway Clerks, AFL	George M. Harrison
Coopers, AFL	James J. Doyle
Photo-Engravers, AFL	Edward J. Volz
Ladies' Garment Workers, AFL	David J. Dubinsky
Hod Carriers, AFL	Joseph V. Moreschi
Lathers, AFL	William J. McSorley
Longshoremen, AFL	Joseph P. Ryan
Potters, AFL	James M. Duffy
Pulp, Sulphite Workers, AFL	John P. Burke
Sleeping Car Porters, AFL	A. Philip Randolph

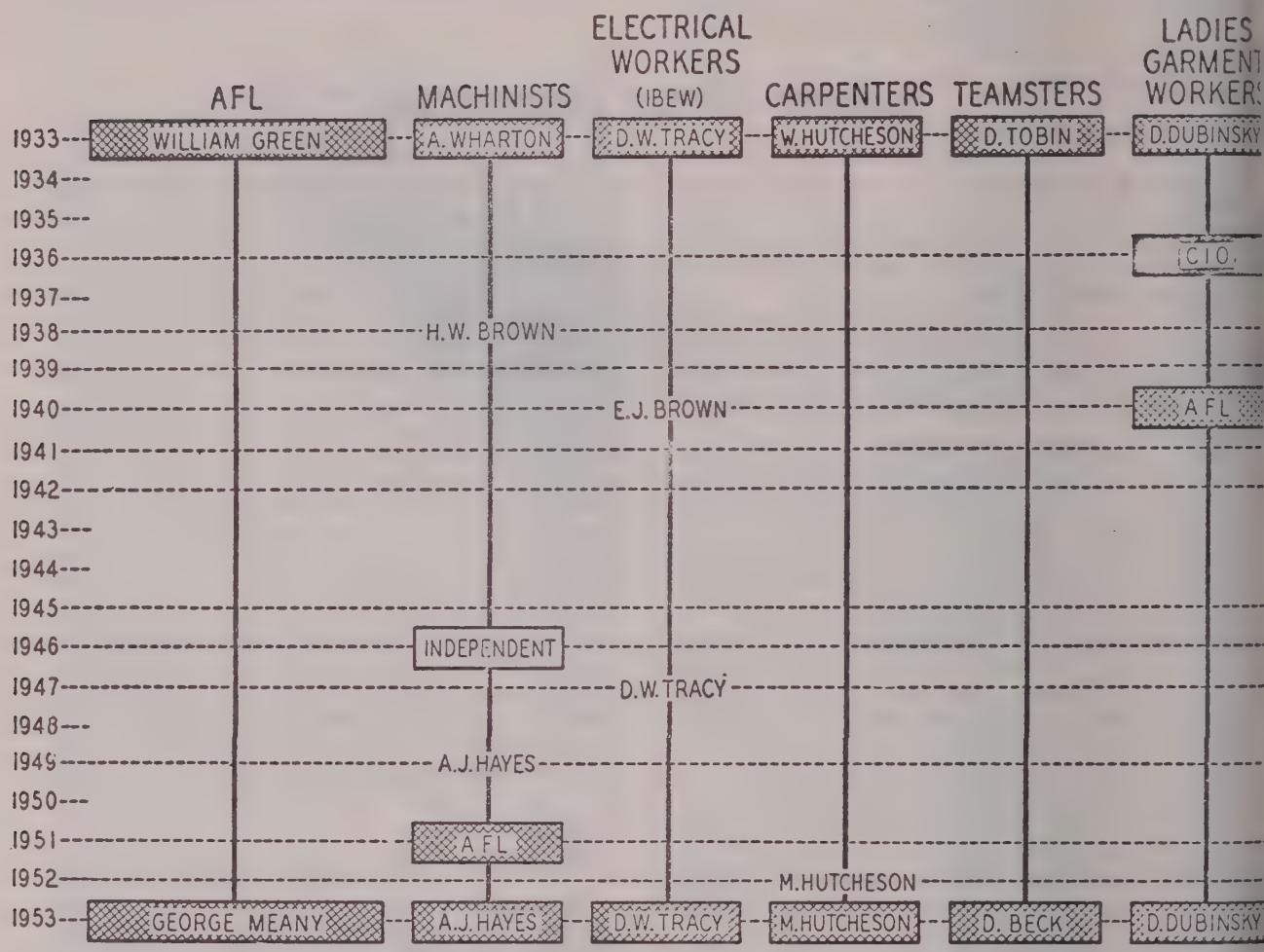
THE SECRETARY OF LABOR—MARTIN P. DURKIN

With the influx of new labor leaders in 1952 came one that was entirely unexpected—the selection by President Eisenhower of Martin P. Durkin as Secretary of Labor. Mr. Durkin is president of the United Association of Journeymen and Apprentices of the Pipefitting Industry, AFL. He is the first union member to be Secretary of Labor since William N. Doak of the Brotherhood of Railway Trainmen held that post in the Hoover cabinet. Under the first New Deal administration, Edward F. McGrady was appointed Assistant Secretary of Labor.

Mr. Durkin, who is fifty-eight, has been president of the Plumbers since 1943. The union has granted him a leave of absence to become Secretary of Labor.

Since the age of seventeen, Mr. Durkin has been associated with the plumbing industry. He left school after the eighth grade to become a steamfitter's helper. Four years later he joined Plumbers' Local 597 in Chicago as a journeyman plumber. During this time, he completed his schooling by attending night classes. He served during World War I for twenty-two months with the Thirty-second Field Artillery.

Changes in Leadership in the Past Twenty Years of [1]



[1] The United Textile Workers of America, AFL, helped found the CIO in 1935. In 1937, the UTWA gave its power of attorney to the CIO's newly formed Textile Workers Organizing Committee headed by Sidney Hillman. In 1938, a part of the UTWA split with the TWOC and returned to the AFL as the United Textile Workers of America. The TWOC-CIO continued until 1939, when it was formally organized as the Textile Workers Union of America, CIO.

[2] Organized by the CIO in 1936 as the Steel Workers Organizing Committee with Philip Murray as chairman. In 1942, the SWOC became the United Steelworkers of America.

After World War I he returned to Local 597 and in 1921 was elected assistant business manager of the local. In 1927 he became vice-president of the Chicago Building Trades Council. During this period and later, Mr. Durkin served on various boards and commissions in the city of Chicago, having been appointed to these posts by Mayors A. J. Cermak and Edward J. Kelly. In 1933, Mr. Durkin was appointed Director of Labor of the State of Illinois by Governor Henry Horner (Democrat). He continued in this post to 1941, through the Democratic state administration of Governor John Stell and during part of the term of Governor Dwight Green, Republican.

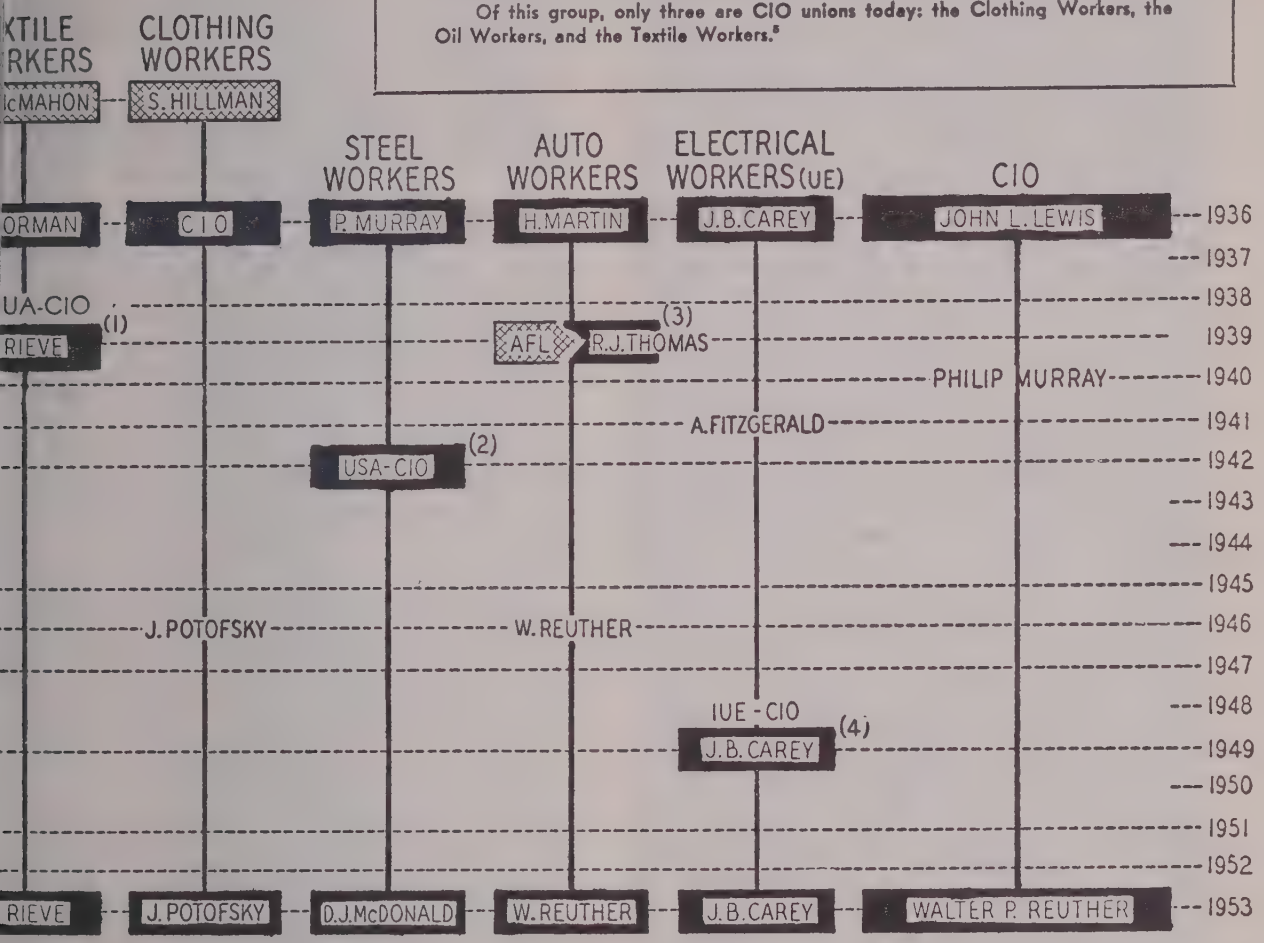
Under Mr. Durkin, the Illinois State Labor Department expanded from 300 civil service employees to 3,000. He revamped Illinois factory inspection procedures, and reorganized the state employment service. During this time, Illinois passed the state unemployment compensation act and established the eight-hour day. Later during his term of office, Mr. Durkin issued one ruling that brought condemnation from the CIO; he ruled that 20,000 members of the United Mine Workers, then CIO, who had gone on strike during contract negotiations, were ineligible for unemployment compensation.

When Mr. Durkin left his post of director of labor in 1941, he was elected secretary-treasurer of the Plumbers' union. In 1943, when President George

rgest Unions

Founding of the CIO: The Committee for Industrial Organization, founded on November 10, 1935, was suspended by the AFL in 1936. The charter organization of the CIO included the heads of these eight AFL unions: United Mine Workers; Amalgamated Clothing Workers; International Ladies' Garment Workers; United Textile Workers; Oil Field Workers; Mine, Mill and Smelter Workers; Hatters, Cap and Millinery Workers; and the International Typographical Union.

Of this group, only three are CIO unions today: the Clothing Workers, the Oil Workers, and the Textile Workers.[5]



[2] In 1939, a part of the UAW led by Homer Martin split and returned the AFL.

[3] In 1949, the CIO expelled the UE as communist dominated and mediately chartered the International Union of Electrical, Radio and achine Workers to take over its membership and jurisdiction.

[5] The Hatters and the Typographers were not suspended from the AFL because their presidents had acted as individuals in the CIO's formation. The International Ladies' Garment Workers returned to the AFL in 1940; the United Mine Workers left the CIO in 1942, and the Mine, Mill union was expelled by the CIO in 1950 as a communist-dominated union.

lasterson of the union died, Mr. Durkin was elected resident.

THE AFL—GEORGE MEANY

The American Federation of Labor was founded 1886 in Columbus, Ohio[1] with 138,000 members. rom then until late in 1952 it had had three presi- ents. Samuel Gompers was the first and, with the xception of one year, he remained in office until his eath in 1924. (John McBride won the presidency in 894-95.) William Green was president from Decem- ber 19, 1924, till his death on November 21, 1952. Under Mr. Gompers, the AFL grew from its original 138,000 members to about 4 million in 1920. Then in 1923, it dropped down to 3 million. Under William Green the AFL membership stayed close to 3 million until the early Thirties. During the New Deal-Fair Deal, the AFL grew to its present 8 million.

George Meany, newly elected president, takes over the AFL at its peak strength. His early years in labor parallel those of Martin Durkin. He was born in New York the same year, 1894; became an apprentice plumber in 1910, and joined Local 463 of the Plumbers as a journeyman four years later. In 1922, he was elected business agent of the New York local and

[1] In 1881, the Federation of Organized Trades and Labor Unions as formed with Samuel Gompers as head. This organization was e nucleus of the AFL.

in 1934 he was elected president of the New York State Federation of Labor.

As president of the New York State Federation, Mr. Meany lobbied effectively for passage of new state labor laws. The AFL claims that more prolabor legislation was enacted while he was president of the New York State Federation than during any other period. He was elected unanimously to the post of secretary-treasurer of the AFL in 1939 when Mr. Morrison, then eighty years old, resigned. In the nominating speeches, AFL leaders emphasized that George Meany had transformed the New York State Federation from a group of self-seeking politicians to an efficient organization. At the time of his election to AFL secretary-treasurer, the New York State Federation had one quarter of the AFL's members.

During his term as secretary-treasurer, labor observers point to two events that tabbed Mr. Meany as the coming leader of the AFL. In 1945, in London, he spoke out against the formation of the World Federation of Trade Unions and kept the AFL from joining. He labeled the WFTU a communist-inspired organization, geared to communist needs.[1] Later, Mr. Meany backed the formation of the anticommunist International Confederation of Free Trade Unions.

Then, at the 1947 AFL convention, George Meany and John L. Lewis (who had then returned to the AFL) debated whether AFL unions should comply with the Taft-Hartley Act by signing the noncommunist affidavits. Mr. Meany was for signing and the AFL voted to follow his view. In the following years, he aided William Green in many presidential jobs.

On election to the AFL presidency by its executive council on November 25, he issued another call for AFL-CIO unity. The AFL in the past has issued unity calls, but all were in the form of invitations to the CIO to "return to the house of labor." George Meany's initial statement dropped the "prodigal son" note and called for merger discussions on equal terms. Since then, Mr. Meany has stated his willingness to step down as AFL president if it will help unity.

THE CIO—WALTER REUTHER

The CIO, until Mr. Reuther's election late last year, had had only two presidents, John L. Lewis and Philip Murray. The CIO was founded in 1935 as the Committee for Industrial Organization. Eight AFL union representatives were active in its founding. Of the original founding unions, only three are sti in the CIO (see chart). John L. Lewis was chairma of the original committee. In 1938, when the CI formally organized and changed its name to Congres of Industrial Organizations, John L. Lewis becam the CIO's first president.

In the 1940 presidential election, Mr. Lewis cam paigned for Wendell Willkie saying he would resig his post as CIO president if Mr. Roosevelt was re elected. At the CIO's convention that year, M Lewis resigned and Philip Murray became presiden

At its founding, the CIO claimed a million mem bers; during World War II, the CIO claimed a mem bership of 6 million. Now Walter Reuther takes ov with a membership that numbers about 4.5 million[2]

Of the leaders of the nation's major unions, M Reuther's union activity is the shortest; his rise th fastest. Born in 1907 in Wheeling, West Virginia, M Reuther first joined the UAW—West Side Local 17 —in 1935. His activity in this local boosted the mem bership from seventy-eight in 1936 to 30,000 in 193 and won him a place on the UAW executive boar His work in the General Motors and Ford organizin campaigns lifted him to a vice-presidency in 1942.

The role Walter Reuther played in the 1946 ne gotiations with General Motors for the "first round of wage increases is generally credited with winnin him the UAW presidency that year. (These negotia tions, that started in 1945, involved a govern ment fact-finding board and a 113-day strike, an ended in an 18.5 cent hourly increase for the workers. As president in 1946, he faced a split union, wit opposition led by George Addes, then the secretary treasurer. By 1947, he had consolidated his position He was reelected overwhelmingly, defeating the Adde faction and bringing in his own slate of officers tha included Emil Mazey as secretary-treasurer.

In 1946 he also became CIO vice-president and i 1949 was active in the fight to expel communist union from the CIO. That year he also was chairman o the CIO's delegation at the founding session of th International Confederation of Free Trade Unions.

Mr. Reuther has already indicated that he wi meet with Mr. Meany to discuss AFL-CIO unity. An like Mr. Meany, he has stated he is willing to ste down from the presidency to aid in such a merger

THE TEAMSTERS—DAVE BECK

In recent years, the total number of union member in the United States has hovered around 15 million

[1] The WFTU, from the CIO's point of view, was not communist dominated at the time of its formation. A CIO spokesman explains: "The development of the WFTU during [World War II] was as much a product of the activity of the CIO and the British Trades Union Congress as it was of the Russians. . . . It was only after our later experience—and particularly after the adoption of the Marshall Plan—that we got out of the WFTU, not because it was clearly communist dominated at that moment but because the changed attitude of the communist unions made impossible the further existence of an outside organization dedicated to democratic world goals. WFTU, from the time that the democratic unions withdrew, did become completely communist dominated."

[2] The CIO has consistently claimed "about 6 million members. At its most recent convention, voting strength allotted variou unions totaled 5,612,687. The fact that this was an inflated figur was conceded during the election of officers. The latest availabl CIO financial statement (1951) shows per capita receipts fo 4,082,222. This is viewed as a minimum figure since the union do not pay per capita tax on their full membership. Informe estimates place the CIO's membership in the neighborhood o 4,500,000. See *Management Record,* Dec. 1952, p. 465.

s fact, plus membership figures of certain unions, e led analysts to speak of unions as having reached saturation point. But the term "saturation point" never been applied to the Teamsters' union. t of the reason behind this is the very wide juris- tion of the Teamsters, sometimes phrased as "any- ng with wheels." The other part of the reason is ve Beck, whom the Teamsters call "a spark plug ggressiveness." It was Mr. Beck who was chiefly onsible for expanding Teamsters' jurisdiction hin the AFL to include warehousemen.

Mr. Beck, one of labor's more controversial figures, k over the leadership of the Teamsters from Dan bin, one of labor's more colorful figures. He now ds the largest union in the AFL. Its claimed mem- ship of 1,110,000 puts it in a seesaw race with the O's UAW for the title of the nation's largest union. At its present strength, the Teamsters' union is ut a thousand times as large as when it was nded in 1899. (Then it had 1,200 members; in 3, it had 70,000.) The president for forty-five of fifty-three years has been Daniel J. Tobin. As of cember 1, 1952, Mr. Tobin became president emeri- , but he retains his position as fourth vice-presi- t of the AFL.

Mr. Beck's influence and power in the Teamsters' on has long been an established fact. In 1947, Teamsters created a new office of executive vice- sident and Mr. Beck was elected to fill the job. power stems from his intensive organization work the Northwest, where he created the Western nference of Teamsters.

n his home state of Washington, Mr. Beck has d positions of influence outside labor. He served the Washington state parole board in 1935. And 1948 he was appointed to the board of regents the University of Washington by Governor Mons lgren. He was chairman of the finance committee the board of regents and is given much credit for university's large building program. Later as irman of the board he forced the ouster of faculty mbers whose loyalty to the United States was stionable. For his anticommunist activity, the erican Legion has given him its distinguished vice award.

Mr. Beck was born in California in 1894 but spent st of his life—and all of his union life—in Seattle, shington. He started working before completing h school but later took extension courses from the iversity of Washington. After serving as an aerial ner in World War I, he returned to Seattle, drove aundry truck and joined the Laundry and Dye ivers' Local Union 566 of the Teamsters.

By 1924 he was secretary-treasurer of the local and 1925 he was elected local president. (He is still sident of Local 566.) That same year the Teamsters d their convention in Seattle with Dave Beck in rge of preparations. Dan Tobin liked the way he handled things and placed him on the international's payroll as part-time organizer. Two years later, in 1927, he was appointed a general organizer with head- quarters in the Pacific Northwest. In 1940 he was elected vice-president of the Teamsters, and at the union's next convention in 1947, moved up to the newly created position of executive vice-president.

It was during the Thirties, however, that Mr. Beck became a power in the Teamsters' organization through his work in the West. He built the Teamsters' organization in Washington by encouraging employ- ers to sign association-wide contracts with the Team- sters. And by controlling trucking, he was able to control the organization of unions that depend upon trucked products, principally the retail clerks, and cannery and processing workers.

When trucking expanded to long hauls between cities, Mr. Beck expanded with it. He devised the Western Conference of Teamsters, a centralized or- ganization designed to pool the resources of all the locals in eleven western states. This was broken down into trade divisions along lines of Teamster juris- diction. And a central pool of organizers appointed by Mr. Beck was available to push organization in all the trade divisions within the region. Under this intensified organizing program, the Western Confer- ence grew to about 300,000 members by 1947, when Dave Beck was made executive vice-president of the Teamsters in charge of all organization.

As executive vice-president, Mr. Beck has put the Western Conference technique on a national basis by organizing national conferences of the various team- ster trades. The first experiment was in 1948 with the "Over the Road" trucking campaign. Under this system, all over-the-road truck drivers were checked at certain key points to see if their "dues were paid up." Later he set up national conferences of the dairy truck drivers, warehousemen, etc.

Mr. Beck's drives to expand the Teamsters' union to the very letter of its jurisdiction—as interpreted by Mr. Beck—has brought him into frequent con- flicts with other unions. He has had tiffs with the AFL Carpenters and the CIO Woodworkers when he attempted to organize log haulers. He has fought against Harry Bridges' Longshoremen and Ware- housemen's Union—first when Mr. Bridges attempted to move north in Pacific Coast warehouses, and later when Mr. Beck attempted to move south into Mr. Bridges' warehousing territory. His most celebrated battle was the fight in 1948 with the AFL Machinists over the warehousemen at Boeing's Seattle plant.

As Teamster president, Mr. Beck has several changes in mind for his union. The establishment of national trade divisions has already given the Teamsters a more centralized organization with a strong corps of organizers. And his plans call for set- ting up a department head for each national trade di- vision. Then, he will add an economic and statistical

bureau and a national public relations and promotional department to the central headquarters. He has already moved the Indianapolis headquarters of the Teamsters to Washington, D. C. He has recently set a new Teamster membership goal of 3 million, and announced plans to spend $5 million for organizing purposes during the next five years.

STEELWORKERS—DAVID J. McDONALD

The United Steelworkers of America, CIO, was formed on June 13, 1936. It was then known as the Steel Workers Organizing Committee of the CIO. The SWOC was staffed by John L. Lewis from his mine union headquarters. Philip Murray, vice-president of the United Mine Workers, was appointed director of the steel drive. John Brophy, Van Bittner and Patrick Fagan also came from the Mine Workers to spark the organizing campaign. David J. McDonald, who had been secretary to Mr. Murray in the UMW, was made secretary-treasurer of the SWOC.

In 1942, the SWOC held a constitutional convention and was formally organized as the United Steelworkers of America, CIO. Philip Murray was elected president and David McDonald secretary-treasurer. Following the death of Mr. Murray on November 9, 1952, the Steelworkers' executive council met and named Mr. McDonald acting president. A referendum vote among all Steelworker union members on February 10 made him president.

Although Mr. McDonald's early union experience was with the Mine Workers, his earliest work was in the steel mills. His father and grandfather had also been steelworkers. Mr. McDonald, born on November 22, 1902, left high school when he was fifteen to take a job in the Pittsburgh steel mills. He completed high school at night and later took courses at Duquesne University and then at the Carnegie Institute of Technology.

For almost thirty years, Mr. McDonald was one of Philip Murray's closest associates. He was twenty-one when Mr. Murray hired him as his secretary. From then on he moved with Mr. Murray. His official title became secretary and assistant to the vice-president of the United Mine Workers. He was part of the team that supervised Mine Worker negotiations and strikes in the late Twenties and early Thirties. He assisted in the reorganization of the UMW in 1933. And when Philip Murray went to Washington to serve on the board of the NRA, Mr. McDonald went with him.

When SWOC was formed David McDonald, besides being secretary-treasurer, was active in organizing and collective bargaining. He has been one of the chief negotiators at all the major steel bargaining sessions.

Mr. McDonald has also been active in the high echelons of the CIO as a member of the executive board, secretary of the CIO's political action committee and secretary of the CIO's southern organizing committee. He has been one of the CIO's k international representatives serving on the gener council of the International Confederation of Fr Trade Unions and the Committee on Internation and Latin American Affairs.

As head of the Steelworkers union, Mr. McDonal heads the second largest union in the CIO and one the three unions in the country that claims over million members. At the recent CIO convention, M McDonald led the campaign in behalf of Allan Haywood for CIO president.

THE CARPENTERS—MAURICE A. HUTCHESON

William L. Hutcheson had been president of th United Brotherhood of Carpenters and Joiners America, AFL, for thirty-six years when he retire from office on January 1, 1952. "Big Bill" Hutcheso however, has not severed connection with the Ca penters. He is now president-emeritus as well as e ecutive director of the Carpenters' home for age members. And he will continue on the AFL execu tive council as first vice-president. He took office i 1915 when the union had about 200,000 membe and, according to the Carpenters, "scarcely a dolla in the bank for each member." He passes on to hi son Maurice, now president, a union claiming ove 750,000 members with assets "running into eigh figures."

The Carpenters' new president, M. A. Hutcheso was born in Michigan in 1897. He has been a membe of the Carpenters for thirty-eight years. In 191 when he was 17, he joined Local 75 as an apprentice He served two years in the Navy during Worl War I, then returned to carpentry work.

For about ten years, he worked in many parts o the United States in dock building, shipbuilding an general carpentry and mill work. Then, in 1928, h was brought into the Indianapolis headquarters o the union as an auditor. Ten years later, the offic of first general vice-president was open upon th death of George Lahey. The general executive boar elected Mr. Hutcheson to fill the post.

During his thirteen years as the Carpenters' vice president, Mr. Hutcheson aided in developing an ex panded apprenticeship program. He also started a information service for union locals which covere labor legislation, government directives and develop ments in the construction industry. He has also pro duced several movies about the Carpenters' union Mr. Hutcheson has been a vice-president of the AFL Building and Construction Trades Department an a member of the Joint Jurisdictional Board for th Settlement of Jurisdictional Disputes.

The Carpenters' union, which M. A. Hutcheso now heads, is the AFL's second largest union; onl the Teamsters tops it in AFL convention delegates.

HAROLD STIEGLITZ
Division of Personnel Administratio

Labor Press Highlights

PRODUCTIVITY PAY URGED BY AFL

DEPRESSION is not imminent," says the AFL. "We still have . . . at least a year of stability, ely supported by defense outlays."

ut to forestall a slump in 1954, the *AFL News-orter* calls for increased purchasing power through luctivity pay hikes. The gap between production the purchasing power is widening, according to AFL. "Since 1949, productivity has increased % while real wages of factory workers have gone nly 7%." Unemployment was averted last year, rding to the AFL, only through the stepped-up l of the armed forces for 550,000 more men.

he AFL contends that a growing market for goods ssential if existing plant capacity is to be used itably and expansion is to continue. Yet, says the L report, the rise in real wages has been less than in the last two years, although industrial produc-y had climbed from 2.5% to 4% annually.

he AFL's analysis, according to *Labor* (railway r unions, AFL and independent), confirms the tion taken by the nineteen railway labor organiza-s in demanding that the railroads grant a 3% luctivity pay increase. The arguments presented he unions representing nearly 1.5 million railroad kers stressed the importance of increasing pur-sing power. Referee Paul Guthrie was expected to on the railroad pay demand late in February.

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wood Death Delays Unity Meeting

ne death of Allan S. Haywood, executive vice-president ne CIO, caused labor leaders to delay scheduled talks on y for the AFL and CIO.

ine AFL leaders were to meet with eleven CIO repre-atives late last month to explore unity possibilities, re-s *The CIO News*. AFL President George Meany heads AFL committee. Members are William L. Hutcheson, penters; Matthew Woll, Photo-Engravers; Daniel J. in, Teamsters; Harry C. Bates, Bricklayers; W. C. erty, Letter Carriers; David Dubinsky, Ladies' Garment kers; Charles J. MacGowan, Boilermakers; and Daniel Tracy, Electrical Workers. The CIO group, led by Presi-Walter P. Reuther, includes David J. McDonald, Steel-kers; Joseph Beirne, Communications Workers; L. S. kmaster, Rubber Workers; Joseph Curran, Maritime on; O. A. Knight, Oil Workers; Michael Quill, Transport kers; Emil Rieve, Textile Workers; and Frank Rosen-n, Clothing Workers.

s a footnote to merger discussions, the *Shoe Workers rnal* (AFL) discloses that for the past year the CIO and shoe unions have held conferences covering national bargaining problems. The conferences began with a "no raiding" agreement that both unions have lived up to, says the *Journal*: "We expect further conferences will be held and perhaps we will eventually arrive at a basis for closer cooperation which may lead to one big union of shoe workers which would include the independent unions not affiliated with the CIO or the AFL."

Teamsters Move to Washington

The AFL Teamsters' international headquarters, as of February 15, opened for business in Washington, D.C., reports *The International Teamster*. Till now the Teamsters' central offices have been in Indianapolis, Indiana, also home of the AFL Carpenters. The move was decided upon several years ago by the union's general executive board but was hastened by new Teamster President Dave Beck. Original Teamster plans called for a building of its own. But now the Teamsters will share the newly constructed home of the AFL Letter Carriers Union at First and Indiana Avenues.

Forty-one lawyers who are legal counsels for locals of the AFL Teamsters' union have joined to form the National Conference of Teamster Lawyers, reports *The St. Louis Labor Tribune* (AFL). The purpose of the group is to safeguard legal rights of the Teamsters, reports *The Labor Tribune*, by acting as a clearing house for all legal information and cases that affect the union. The conference will set up a central office at the Teamsters' headquarters in Washington, D.C.

Steelworkers Tally Sixteen-Year Wage Gains

Since the United Steelworkers of America, CIO, was founded in 1936, steelworker wages have about tripled, claims *Steel Labor*. The wage analysis was prepared by the union's research department on the basis of U.S. Steel's presentation before the Wage Stabilization Board's steel panel. These figures cover the period from 1937 through 1952:

"Straight time hourly earnings have increased 197%.
"Gross average hourly earnings have risen by 212.1%.
"Gross weekly earnings have climbed by 221.5%.
"U.S. Steel's northern subsidiaries to $1.404 in southern steel-producing subsidiaries." (Wage gains figures cited include about 25 cents in fringe gains.)

AFL, CIO Cite New Textile Switches

In the continuing textile organizing battle, the AFL United Textile Workers report election victories at the Duplan plant in the North and six Cone Mills plants in the South.

In addition, *The Textile Challenger* (AFL) reports that AFL Textilers won an election at the previously unorganized Greensboro plant of the Cone Mills by a vote of 1,080 to 886. The three Pennsylvania plants of the Duplan Company switched from the CIO by a vote of 823 for the UTWA-AFL to 658 for TWUA. The AFL, which now describes the CIO Textile Workers as a "crumbling union which has given up hope of holding the South," claims that the CIO union recently dropped thirty organizers—all but three of whom had been organizing in the South.

The CIO Textile Union counters with claims of three election victories. *Textile Labor* (CIO) reports that a Canadian unit of the AFL Textile Workers switched to the CIO by a vote of 227 to 12. A unit of Erwin Mills in North Carolina that last year left the CIO for the AFL returned to the CIO by fifty-two to twenty-one. And a Rhode Island unit voted to stay with the CIO, 159 to 108.

HAROLD STIEGLITZ
Division of Personnel Administration

Briefs on PENSIONS AND OTHER BENEFITS

Renegotiability of Pension Costs

How much of an employer's pension costs can be put on the bill for government contract work? According to Section 103 (f) of the Renegotiation Act of 1951, the pension cost must meet two tests in order to be allowed as an item of cost:

- It must be an allowable deduction under Chapter 1 of the Internal Revenue Code.
- It must be properly allocable, in whole or in part, to renegotiable business.

Staff bulletin number 9, put out by the Renegotiation Board for the guidance of personnel engaged in renegotiation, lists six types of "items of cost" which should be considered. These are:

1. Payments to irrevocable funded pension plans for past services.
2. Payments to irrevocable funded pension plans for current services.
3. Payments to pensioners, directly or indirectly, pursuant to revocable funded pension plans or any nonfunded pension plans or contracts.
4. Gratuitous payments to former employees.
5. Payments to revocable funded pension plans not covering amounts paid out to specific pensioners.
6. Charges to current operations for estimated pension costs, not accompanied by any actual payments, but pursuant to nonfunded pension plans.

Items 5 and 6 are not allowable as deductions under the Internal Revenue Code and will therefore not be allowed as costs in renegotiation. Since items 1, 2, 3, and 4 are allowable under the Internal Revenue Code, the only question the Renegotiation Board has to determine is whether or not the payment is properly allocable in whole or in part to renegotiable business.

The board considers that items 1, 3, and 4 are properly allocable in part to renegotiable business. Although computation of these costs is based upon business done in former years (and therefore presumably not renegotiable) benefits accrue in the present and future in the form of higher productivity, labor stability, etc. Payments under item 2 are also proper charges against renegotiable business to the extent that they are allocable to such business.

In line with a previous decision of the Renegotiation Board, the allowable pension costs will be allocated between renegotiable and nonrenegotiable business on the same basis as other costs incurred by the contractor.

New and Increased Benefits

The Northrop Aircraft Company has adopted a retirement program, effective August 1, 1952. The program consists of a basic noncontributory pension plan and a supplemental contributory plan. The basic plan provides a past service benefit of $1 times years of service (for the first $300 monthly earnings as of August 1, 1952) plus 1.25% of the amount of monthly earnings in excess of $300, times years of service. The basic future service benefit is $1 times years of service on the first $300 per month, plus 1.25% of the excess multiplied by years of service. Minimum basic pension after ten years of service is $25 per month, not including Social Security.

* * *

The American Telephone and Telegraph Company has made two changes in its pension plan, effective September 1, 1952. The minimum pension for employees with twenty years of service has been increased. From now on it will be $100 per month minus half the Social Security benefit. Formerly, the entire Social Security benefit was deducted.

The other amendment provides that the Social Security deduction from the pension check as determined at the time of retirement will not be increased because

ny changes in the Social Security law made after employee's retirement date.

he Bell System's pension and benefit plans passed r fortieth birthday on January 1, 1953.

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ity Annuity Plan Wins Treasury Approval

n equity annuity pension plan formulated by the g Island Lighting Company has gone into effect owing approval by the Treasury Department. The n supplements the company's regular group annuity n. It provides that substantially all of the trust d is to be invested in equities. Retirement income er the plan is defined not in terms of a fixed number dollars but in terms of units whose dollar value will y with market conditions. Like the plan adopted the Teachers' Insurance and Annuity Association,[1] plan attempts to gear the amount of retirement me to the cost of living.

his is the first time the Treasury Department has roved an equity annuity plan for a corporation. embership in the TIAA fund is restricted to demic people in universities, foundations, etc.) The nmissioner of Internal Revenue had formerly re- ded a pension plan within the meaning of Section (a) as one that provided a dollar benefit based on finite formula.

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ws of Profit Sharing Plans

Employees of the Cleveland Pneumatic Tool Com- y have just acquired complete ownership of their pany. Their two profit-sharing trusts—one for rly employees and one for salaried—have arranged buy all of the company's capital stock. The seller is y Fund, of Boston, a pension trust for employees Textron, Inc. The price is $11,800,000. Under the ownership arrangement, the profit-sharing trust the Cleveland company's salaried employees will e 51% control and the hourly employees' trust will e 49% control.

* * *

deferred-profit-sharing plan, called the retirement me and thrift incentive plan, has been adopted by lerated Department Stores, Inc., and submitted to ckholders for approval. Employees do not have to tribute to the plan, but may contribute from 2% 5% of yearly compensation up to $20,000. This ney will be invested in government bonds. The pany will contribute 6% of its annual income be- taxes. This will be invested in company common k and allocated among participants on the basis ength of service and of how much they contribute he plan.

Management Record, February, 1952, pp. 59-60.

The cash and investments representing employee contributions and the vested portion of the company contributions will be paid to the employee or his beneficiary when he retires, dies, withdraws from the plan, or leaves the company's service.

Machinists Set Up Health Department

The International Association of Machinists, AFL, announces the establishment of a medical and health department. According to the union newspaper, *The Machinist*, the new department will:

- "Assist district and local lodges in setting up group health programs to provide IAM members with prepaid health insurance.
- "Present the union's program for helping to solve the high cost of doctor bills and other pressing health problems in testimony before Congressional committees, state legislatures and the medical profession.
- "Study the changing conditions in the shops to help improve industrial health.
- "Write articles on health for IAM publications dealing with health problems of IAM families and showing the advantages of group health plans in helping members to obtain adequate medical care within their budgets."

Dr. William A. Sawyer, recently retired from the medical directorship of the Eastman Kodak Company, will head the IAM medical and health department.

Activities for Retired Employees

Metropolitan Life Insurance Company has begun publishing a four-page quarterly newsletter especially for its retired employees all over the country, who now number over 4,000. The publication, which is entitled *Supplement*, contains news items about the activities of pensioners, and short features on how some of them are meeting the problems of retirement. The first issue also has an article on bookbinding as a useful hobby, and an explanation of what recent changes in Metropolitan's hospital-surgical plan mean for retired employees.

* * *

The Northwestern Mutual Life Insurance Company is also publishing a newsletter for its "alumni." Among other items of special interest to pensioners, Volume I, Number 1, announces the winner of a contest held to choose a name for the recently opened lounge for retired employees. The winning name: "Dunwurkin Den."

Lois E. Forde
Division of Personnel Administration

Trends in

LABOR RELATIONS

AFL Hits Labor Racketeers

Basing its decision on disclosures of waterfront corruption by the New York State Crime Commission, the AFL executive council issued an ultimatum to the AFL International Longshoremen's Association to purge itself by April 30. In a letter to ILA President Joseph Ryan, the AFL executive board:

- Denounced the practice of ILA officials accepting gifts and bribes from employers and called for their removal from office and elimination from the union "forthwith."
- Called for elimination of the so-called shape-up which, they say, "encourages kick-backs," and demanded that ILA President Ryan take "immediate and effective action" to supplant the shape-up hiring method by "a system of regular employment and legitimate hiring methods."
- Demanded the immediate removal of ILA union representatives with criminal records from "all positions of authority."
- Demanded that democratic procedures be put into operation in ILA local unions "so that members who work on the waterfront will be able to select true and capable trade union leaders who will serve the best interests of the AFL and be free from the taint of crime and racketeering."

Longshoremen Must Act by April 30

The AFL executive council's letter to ILA President Joseph Ryan finished with this ultimatum: "The executive council will expect a report from you advising that the above recommendations have been and will be complied with on or before April 30, 1953."

The expiration date of the ultimatum comes shortly before the excutive council reconvenes for its May meeting. If ILA compliance is not forthcoming at that time, labor observers point out that the executive council could take steps to revoke the AFL charter of the present Longshoremen's union and grant a charter to another group dedicated to cleaning up the waterfront. On the question of whether this would be an abandonment of the AFL's principle of autonomy for its affiliated units, the AFL says, "No affiliate of the AFL has any right to expect to remain an affiliate 'on the grounds of organizational autonomy' if its conduct, as such, is to bring the entire movement into disrepute."

Dave Beck, president of the International Brotherhood of Teamsters, AFL, also acted on New York State Crime Commission disclosures. He ordered a trustee to take over Teamster Local 202 after the crime commission testimony showed irregularities in the conduct of Joseph Papa, the local union's official. Dave Beck set forth the Teamster position in these words:

> "Whenever there are indications of the possibility of misappropriation of funds by a local union, or connivance with industry or politicians, it shall be the continuing policy of the international union to engage a certified public accountant in addition to our own auditor and set immediate plans for a thorough investigation and, if warranted, a trial. This international union, a chartered affiliate of the American Federation of Labor, recognizes a grave responsibility to keep its house clean."

AFL Demands UAW-AFL Revoke Charter

On another front, the AFL executive council called on the United Automobile Workers, AFL, to revoke the charter of Local 102, a New York local headed by John Dioguardi, alias Johnnie Dio, a convicted extortionist. While the UAW-AFL has not as yet revoked the charter of this local, it did revoke the charter of another New York local union—Local 198—shortly after its president was arrested on charges of extortion.

The UAW-AFL also revoked the charter of Brooklyn Local 136-A whose principal officer was a former convict.

"Contract Bar" Upped to Five Years

In an unprecedented action, the National Labor Relations Board held that five-year collective bargaining contracts in the automobile and farm equipment manufacturing industries may constitute a bar to representation elections for their full five-year terms. Up to that time, the NLRB had held that a union contract could not bar a new representation election for a period longer than three years.

The NLRB's action upheld the contention of two employers in the auto industry and three unions that their five-year contracts should operate as "bars" to elections during their full term. The employers urging their contracts as "bars" were General Motors Corporation and the auto parts manufacturing division of Bendix Aviation Corporation. Allis-Chalmers Manu-

uring Company, the employer involved in the t-equipment industry case, was willing to waive ontract as a bar if it could maintain its provisions he full term. The unions urging their contracts bars" were the CIO Automobile Workers Union, l 125 of the AFL Firemen and Oilers union and Bendix Industrial Police Association (unaffili-).

making its ruling, the NLRB unanimously dis- ed petitions for new representation elections at following four plants: General Motors Detroit nsmission Division, by an individual employee; eral Motors sparkplug plant at Milwaukee, Wis- sin, by Local 125 of the AFL, Firemen and Oilers, n; Bendix Auto parts plant at South Bend, Indi- by the United Plant Guard Workers of America affiliated); and West Allis, Wisconsin, plant of -Chalmers, by Local 248 of the CIO Auto Work- Union.

Standard: Coverage of Industry

he decision changed the NLRB's earlier rule that -term contracts would be held to bar a representa- election among employees only when it was proven contracts of such duration were the "custom in industry." In reversing its earlier rulings the RB said:

> "In place of the former test predicated on 'custom in the dustry,' the test to be applied here determines the reason- leness of contract duration for contract-bar purposes on e basis of whether a substantial part of the industry is vered by contracts of a similar term."

n giving figures to support five-year contracts by new "coverage of the industry" rule, the NLRB ed that 537,500 employees in the automobile manu- uring industry are covered by five-year contracts. NLRB said that the General Motors contract n United Auto Workers Union (CIO) was the neer five-year agreement in the auto industry and t nine major auto makers now have contracts of ilar duration.

n the farm equipment industry, the NLRB noted her that three of the four major producers of icultural machinery had five-year contracts, and t these covered 38,000 employees.

RB Traces "Contract Bar" History

he NLRB gave the changing labor relations pic- e as the reason behind its first shift from a one-year tract bar policy to a two-year contract bar policy, l for its later shifts from a two-year to a three-year l from a three-year to a five-year contract bar icy.

racing the history of its policy on contract bar es, the NLRB said:

> "Whenever a contract is urged in bar, the board must alance two separate, and sometimes conflicting, interests: stabilizing labor relations for the duration of a contract secured through bona fide bargaining, and protecting the exercise by employees of full freedom of designation of representatives of their own choosing.
>
> "During the period when the techniques and potentialities of collective bargaining were first being slowly developed under the encouragement and protection of federal legislation, the board laid greater emphasis upon the right of workers to select their representative frequently than upon prolonged adherence to a bargaining agent, once chosen. At that time, the board held that even two-year contracts were 'unreasonable' and would not operate as a bar after their first year. In 1938, when only one-year contracts were bars for their duration, the board did not believe that 'under the policies and provisions of the act, employees should be precluded from having the opportunity to select new representatives for a period as long as five years.'
>
> "In 1947, the board held that collective bargaining had 'so emerged from a stage of trial and error' that 'the time has come when stability of industrial relations can better be served, without unreasonably restricting employees in their right to change representatives, by refusing to interfere with bargaining relations secured by collective agreements of two years' duration . . . even in the presence of a contrary custom in the industry.' The board also recognized that contracts of more than two years' duration might, under certain circumstances, be a bar for their term, but has not previously held that employees should be precluded from changing representatives for a period longer than three years.
>
> "We believe the time has arrived when stability of labor relations can better be served, without unreasonably restricting employees in their right to change representatives, by holding as a bar collective bargaining agreements even for five years' duration when, as here . . . a substantial part of the industry concerned is covered by contracts with a similar term."

Severance Pay if Newspapers Merge

The history of the newspaper industry has been marked by the merger of newspapers throughout the country. This is attested by the names of two and even three "former" newspapers appearing in the front-page masthead of many of the country's newspapers.

Some compensation is afforded workers laid off because of such newspaper mergers or suspension under this clause between the Milwaukee Daily Newspaper Publishers and the International Printing Pressmen, AFL:

> "In the event of merger, consolidation or suspension of publication by any newspaper covered by this agreement, all employees affected shall be given two weeks' severance pay. Such severance pay shall be at the employee's regular straight-time rate of pay."

JAMES J. BAMBRICK, JR.
Division of Personnel Administration

Wage Adjustments Announced Prior to February 15, 1953

Company	Type of Worker[1]	Increase: Amount	Increase: Date Effective	Increase: Number Affected	Remarks
Chemicals and Allied Products					
Buckeye Cotton Oil Company ..... Selma, Ala.	WE	$.025 hr.	9-24-52	105	Raise followed expiration of old contract. Contract expires 6-23-53 (Distributive, Processing and Office Workers of America, ind.)
Food Machinery & Chemical Corp. .. Nitro, W. Va. Ohio Apex Division	WE	$.02 hr.	10-13-52	255	Prior to wage reopening, hourly minimum had been $1.42, effective 3-2-52. Contract expires 3-2-53. (United Mine Workers, District 50, ind.)
Electrical Equipment, Machinery and Supplies					
Raytheon Manufacturing Company .. Waltham, Mass.	WE	See Remarks	See Remarks	12,000	Adjustment accompanied contract negotiations. Top-paid grade received 5¢ 7-1-52, 2¢ 11-3-52; remaining grades received 5¢ 7-1-52, 1¢ 11-3-52. Incentive base rates of 5¢ were granted 7-1-52. Hourly minimum had been 81¢, effective 7-1-51. Firm also granted vacation benefits of 2 weeks' vacation with 6 hours pay after 2 years' service, 3 weeks vacation with 12 hours pay after 15 years' service. Same wage increase and fringe benefits extended to unorganized clerical and technical (non-exempt) employees. Contract expires 6-30-53. (Int'l Bro Electrical Workers, AFL)
Whitney Blake Company ..... New Haven, Conn.	WE	4.13%	10-16-52	510	Raise followed expiration of old contract. Converted to cents per hour, raise is estimated to average about 7¢. Salaried employees to receive related increase. Wage reopening 4-1-53, contract tenure 1 year. (UERMWA, ind.)
Fabricated Metal Products					
Buffalo Wire Works Company, Inc. .. Buffalo, N. Y.	WE	See Remarks	See Remarks	*n.a.*	Firm granted raise of 6¢ hourly, effective 9-15-52, 4¢ 11-17-52 Wage reopening 10-1-53, contract tenure 1 year. Salaried employees received hourly raise of 8¢, effective 9-15-52 (UERMWA, ind.)
West Bend Equipment Corp. ..... West Bend, Wis.	WE	$.15 hr.	9-1-52	40	Raise granted when new union was organized. Previous hourly minimum was $1.10. Firm also granted 3 weeks' vacation after 15 years. Contract expires 9-1-53. (United Steelworkers, CIO)
Food and Kindred Products					
Armour & Company ..... Interstate	WE	$.04 hr.	10-27-52	4,500	Raise came in new contract. Previous hourly minimum for men had been $1.41 effective 12-17-51, for females $1.32 effective 2-18-52. In addition to indicated increase women received raises up to 4¢ an hour so that the differential between male and female wages is reduced to 5¢. In order to decrease or eliminate geographical differential, some Southern employees of both sexes were granted raises ranging up to 3½¢ hourly. Non-contributory fringe benefits were $105 monthly pensions, including social security, and insurance increases to $2,200. Wage reopening 3-1-53 and 3-1-54; contract expires 8-31-54. (Amalgamated Meat Cutters & Butcher Workmen, AFL)
	WE	$.04 hr.	10-27-52	29,000	Exactly the same details, minimums and benefits as above (United Packing House Workers, CIO)
	S	$1.60 wk.	10-27-52	18,000	Same fringe benefits as above. (No union)
Seattle Bakers Bureau, Inc. ..... Seattle, Wash.	WE	See Remarks	5-1-52	300	Raise of 5¢ an hour or $2 a week came as part of wage reopening. Minimum wage had been $1.0125 per hour for 40-hour week. There was a strike in the industry from 5-1-52 to 6-23-52 called by another union. Retail clerks union was involved indirectly. Bureau also granted 2 weeks' vacation after 2 years continuous service, a plan for medical care at a cost of $8.6 per month per employee. Wage reopening on 60 days' notice prior to 5-1-53; contract expires 5-1-53. (Retail Clerks' Int Assn., AFL)

Company	Type of Worker[1]	Increase: Amount	Increase: Date Effective	Increase: Number Affected	Remarks
ft & Company ..... nterstate	WE	$.04 hr.	10-27-52	5,050	Raise came in new contract. Previous hourly minimum had bee $1.41, effective 12-17-51. Fringe benefits granted were time ar a half for Saturday, 2¢ night compensation, change in metho of computing vacation pay, bracket adjustments, increase i centive plan earnings. Wage reopenings once each perio 2-11-53 to 8-11-53, and 2-11-54 to 8-11-54. Contract tenu 2 years. (Amalgamated Meat Cutters & Butcher Workme AFL)
	WE	$.04 hr.	10-27-52	19,900	New contract followed inconsequential work stoppage. Previo hourly minimum had been $1.41, effective 12-17-51. Benefit changes same as above. (United Packinghouse Workers, CIO
	WE	$.04 hr.	11-17-52	7,550	Benefits and changes same as above. (Nat'l Bro. Packinghou Workers, ind.)
	S	$1.60 wk.	10-27-52	5,200	No union.
er and Wood Products cago Mill & Lumber Company ... Tallulah, La.	WE	$.025 hr.	10-27-52	600	Following contract expiration, strike lasting 2 weeks, firm grante new wage schedule. Previous hourly minimum had been 80 effective 7-23-51. Wage reopening 7-31-53. (Int'l Woodworker CIO)
nce and Accessories ghes Gun Co. ..... Houston, Texas	WE	$.09 hr.	9-15-52	1,028	Increase came as wage reopening. Hourly minimum, prior settlement, had been $1.14, first effective 5-5-52. Next wag reopening 5-5-53; contract expires 5-5-54. (IAM-AFL)
	S	$19.07 mo.	9-15-52	19	This group's hourly minimum was $1.14, effective 5-5-52. San details as above. (IAM-AFL)
n Industries, Inc. ..... E. Alton, Ill. Western Cartridge Co. Division	WE	See Remarks	See Remarks	4,000	Voluntary wage reopener 6-1-52 granted employees 4.132%; contract expiration 12-1-52 additional 1.1% was given. Auto matic adjustment 6-1-53, contract expir s 12-1-53. (IAM, AFL
and Allied Products ylord Container Company ..... Houston, Tex.	WE	$.055 hr. av.	9-15-52	150	Raise came in contract negotiations. Contract runs 1 yea (United Paperworkers, CIO)
nadnock Paper Mills ..... Bennington, N. H. Otter River, Mass.	WE	$.05 hr.	10-13-52	*n.a.*	Raise came as part of wage reopening. Hourly minimum for me was $1.05, women 5¢ less. Next wage reopening 4-3-53; contrac expires 5-3-53. Int'l Bro. of Paper Makers. AFL)
cky River Paper Mills ..... Three Rivers, Mich.	WE	$.03 hr.	7-28-52	74	Raise came as result of wage reopening. Additional 2¢ an hou was given as cost of living adjustment. Next wage reopenin on 3 months' notice. (United Paperworkers, CIO)
ary Metal Products public Steel Corporation ..... Youngstown, Ohio Truscon Steel Division	WE	$.125 hr.	8-1-52	120	Raise followed contract expiration, 38-day work stoppage. Hourl minimum had been $1.31, effective 12-1-50. Firm also grante 6 paid holidays, improved vacation plan and shift differential Wage reopening 5-1-53; contract expires 6-30-54. (IAM-AFL)
ing, Publishing and Allied Industries *eveland Press* Cleveland, Ohio	S	See Remarks	11-1-52	377	Following expiration of old contract, new agreement grante raises ranging from $3 to $7. Fringe benefits granted were in creases in premium pay for holiday work, and dismissal pay Contract expires 10-31-53. (Newspaper Guild, CIO)
regon Journal ..... Multnomah, Ore.	WE	$5 wk.	7-1-52	160	Raise followed expiration of old contract. Previous weekly min mum had been $100; new rates are $105 for day work, $11 for night work. Contract tenure 1 year. (Int'l Typographica Union, AFL)
essional, Scientific and Controlling ruments mpro Corporation ..... Chicago, Ill.	WE	$.10 hr.	8-1-52	350	Contract expired 8-1-52. Strike ran 9-17-52 to 10-9-52. Firm als granted accumulated vacation pay on layoff. Contract expire 8-1-53. (UERMWA, ind.)

Company	Type of Worker[1]	Increase			Remarks
		Amount	Date Effective	Number Affected	
Public Utility					
Pacific Gas & Electric Co. ..... California	WE	$.09 hr. +1.5%	8-1-52	15,057	This group includes 3,145 clerical workers, 9,356 operating, maintenance and construction employees and 2,556 employees of the General Construction Department. Effective 4-1-51 the weekly clerical minimum had been $47.89, the operating group minimum had been $61.50, and the General Construction Department employees' minimum had been $60.76. All these employees also received a lump sum payment of $95.46 in lieu of retroactivity. In addition, all eligible employees in this and the following categories received fringe benefits which granted increased shift premiums and new schedules for overtime, holiday and vacation pay. Contract runs 1 year. (Int'l Bro. Electrical Workers, AFL)
	WE	$.09 hr. +1.5%	8-1-52	668	These clerical workers had received same minimum as above, received same benefits. Contract runs 1 year. (No union)
	WE	See Remarks	8-1-52	1,008	Effective 9-1-52, this group received a 4.7% raise retroactive to 4-1-52, and 1.5% retroactive to 7-1-52. Their previous weekly minimum had been $61.50, as of 4-1-52. Benefits granted this newly certified organization same as above. Wage reopening 3-1-53. (San Francisco Area Group of Professional Employees)
	WE	See Remarks	8-1-52	2,375	Monthly minimum for this exempt group had been $325, as of 4-1-52. They received 4.7% retroactive to 4-1-52, 1.5% retroactive to 7-1-52. Contract agreement runs 1 year. (No union)
Rubber and Allied Products					
U. S. Rubber Company ..... Waterbury, Conn. Shoe Hardware Division	WE	$.10 hr.	8-11-52	875	Raise came in wage reopening; contract expires 3-31-53. (UAW, CIO)
Stone, Clay and Glass Products					
The Akron Porcelain Company ..... Akron, Ohio	WE	5%	10-5-52	129	Raise followed contract expiration. In addition, firm granted life insurance, accident, disability and death and sick benefit plans with no premium charge to employees. Wage reopening on 30 days' notice; contract tenure 1 year. (Glass, Ceramic & Silica Sand Workers, CIO)
Textile Mill Products					
Silk and Rayon Printers & Dyers Assn. of America ..... Passaic, Bergen and Hudson Counties, N. J.	WE	$.50 day	9-1-52	116	Raise came as part of deferred increase. Effective 9-1-51, daily minimum had ranged from $13.50 for helpers to $16.50 for tandem-wheel and trailer truck drivers. Cost-of-living adjustment every 3 months; contract extended to 8-31-53 from 8-31-52. (Int'l Bro. Teamsters, Chauffeurs, Warehousemen & Helpers, AFL)
Transportation					
Denver Tramway Corporation ..... Denver, Colorado	WE	See Remarks	11-1-52	See Remarks	Raise followed expiration of old contract. Firm granted hourly increments of 16¢ to 584 operating personnel, 19¢ to 163 non-operating personnel. Hourly minimum for former group had been $1.43 effective 11-1-51; $1.27 for the latter as of the same date. Employees will also receive overtime for work on one additional holiday, 3 weeks' vacation after 25 years' service. Contract tenure 1 year. (Amalgamated Ass'n of Street, Electric Railway & Motor Coach Employees, AFL)
	S	$.16 hr.	11-1-52	25	Monthly minimum for this group had been $297.88, effective 11-1-51. (Amalgamated Ass'n of Street, Electric Railway & Motor Coach Employees, AFL)
Empire State Highway Transportation Association, Inc. ..... New York	WE	$.23 hr.	9-1-52	11,000	Raise followed expiration of old contract. Prior to settlement, hourly minimum had been $1.76, effective 9-1-50. Association also granted plan whereby employer pays 2¢ per straight-time hour to pension fund formerly paid by employee, in addition to 2¢ per hour employer paid in the past. The vacation schedule was also liberalized slightly. Wage reopening 1-22-53; contract tenure 2 years. (Int'l Bro. Teamsters, Chauffeurs, Warehousemen & Helpers, AFL)

Wage Adjustments Announced Prior to February 15, 1953—Continued

Company	Type of Worker[1]	Increase			Remarks
		Amount	Date Effective	Number Affected	
ngstown Municipal Railway ..... oungstown, Ohio	WE	See Remarks	See Remarks	See Remarks	Raise followed contract expiration, 29-day work stoppage. Two hundred and sixty Transportation Department employees received 10¢ 6-1-52, 10¢ 12-4-52, represented by change to 40-hour week and elimination of presently scheduled overtime; 70 employees of the mechanical department received 11¢ an hour 7-1-52. The hourly minimum for the former group had been $1.50, effective 6-1-51, $1.60 for the latter was first effective 7-1-51. Firm also granted additional vacation after 15 years' service. Contract expires 5-31-53. (Amalgamated Ass'n Street, Electric Railway & Motor Coach Employees, IAM, Int'l Bro. Teamsters, Chauffeurs, Warehousemen & Helpers, Int'l Bro. Electrical Workers, AFL)
ortation Equipment					
dyear Aircraft Corporation ..... kron, Ohio	WE	$.10 hr.	9-1-52	5,000	Raise came as contract modification following 9-week work stoppage. Wage reopening twice within the life of the contract which expires 8-8-54. (UAW, CIO)
laneous					
Silex Company ..... artford, Conn.	WE	$.05 hr.	10-6-52	*n.a.*	Raise came in wage reopening. Prior to settlement, hourly minimum had been $1.05, first effective 9-4-51. Next wage reopening 4-1-53; contract expires 6-17-53. (IUE, CIO)
	S	$.05 hr.	10-6-52	*n.a.*	Prior to settlement, hourly minimum had been 75¢. (No union)

wage earner; S, salaried employee.
ot available.

-H Proposed Revisions

(*Continued from page 73*)

e full board or by the group of three or more members as ovided in the foregoing provisions of this subsection."

emarks—

Designed to expedite work of NLRB.

CIO comment: "Proposal is of no importance."[2] (See also ange 21 for additional change in Section 3 (b) .)

hange 13—Provides for Twelve-man Advisory Committee on Procedures and Practices

Taft-Hartley Act—"Sec. 6. The board shall have authority from ne to time to make, amend, and rescind, in the manner prescribed by the Administrative Procedure Act, such rules and regutions as may be necessary to carry out the provisions of this act."

Amendment—"6 (a) The board shall be authorized from time to me to make, amend, and rescind in the manner prescribed by the dministrative Procedure Act, such rules and regulations as may necessary to carry out the provisions of this act.

"(b) There is hereby created an Advisory Committee on Produre and Practice which shall be composed of twelve members ppointed by the Supreme Court of the United States, six of whom all be selected from among persons representing management in roceedings before the board and six of whom shall be selected om among persons representing labor in proceedings before the ard.

"Each member shall hold office for a term of three years, except at any member appointed to fill a vacancy occurring prior to the expiration of the term for which his predecessor was appointed, shall be appointed for the remainder of such term. Members of the Advisory Committee, when serving on the business of the Advisory Committee, shall be entitled to receive an allowance for actual and necessary travel and subsistence expense while so serving away from their place of business or residence but shall not receive any other compensation.

"(c) It shall be the duty of the Advisory Committee on Procedure and Practice to advise and consult with the board in the making, amending, and rescinding of rules of procedure and practice, including rules establishing a pre-trial procedure, to the end that the work of the board shall be effectively and expeditiously transacted.

"(d) It shall be the duty of the chairman of the board to call at such time and place as he shall designate, but at least twice in each year, a meeting of the board and Advisory Committee on Procedure and Practice for the purpose of considering the state of the business of the board and advising ways and means of improving the administration of proceedings before the board, including the making, amending, and rescinding of rules and regulations relating to procedure and practice."

Remarks—

Under both the Wagner Act and the Taft-Hartley Act, the NLRB could make its own rules. The amendment provides a twelve-man labor-management Advisory Committee on Procedure and Practice to "advise" the NLRB as to how to expedite case handling.

CIO comment: "Desirable."[2]

Change 14—Eliminates Requirements that Complaint Contain a Notice of Hearing

Taft-Hartley Act—"10 (b) Whenever it is charged that any person has engaged in or is engaging in any such unfair labor prac-

tice, the board, or any agent or agency designated by the board for such purpose, shall have power to issue and cause to be served upon such person a complaint stating the charges in that respect, and containing a notice of hearing before the board or a member thereof, or before a designated agent or agency, at a place therein fixed, not less than five days after the serving of said complaint: Provided, That no complaint shall issue based upon any unfair labor practice occurring more than six months prior to the filing of the charge with the board and the service of a copy thereof upon the person against whom such charge is made, unless the person aggrieved thereby was prevented from filing such charge by reason of service in the armed forces, in which event the six-month period shall be computed from the day of his discharge. Any such complaint may be amended by the member, agent, or agency conducting the hearing or the board in its discretion at any time prior to the issuance of an order based thereon. The person so complained of shall have the right to file an answer to the original or amended complaint and to appear in person or otherwise and give testimony at the place and time fixed in the complaint. In the discretion of the member, agent, or agency conducting the hearing or the board, any other person may be allowed to intervene in the said proceeding and to present testimony. Any such proceeding shall, so far as practicable, be conducted in accordance with the rules of evidence applicable in the district courts of the United States under the rules of civil procedure for the district courts of the United States, adopted by the Supreme Court of the United States pursuant to the Act of June 19, 1934 (U. S. C., title 28, secs. 723-B, 723-C)."

Amendment—(Section rewritten.) "10(b) Whenever it is charged that any person has engaged in or is engaging in any such unfair labor practice, the board, or any agent or agency designated by the board for such purposes, shall have power to issue and cause to be served upon such person a complaint stating the charges in that respect: Provided, That no complaint shall issue based upon any unfair labor practice occurring more than six months prior to the filing of the charge with the board and the service of a copy thereof upon the person against whom such charge is made, unless the person aggrieved thereby was prevented from filing such charge by reason of service in the Armed Forces, in which event the six-month period shall be computed from the day of his discharge. The board or any agent or agency designated by the board for such purposes shall issue and cause to be served upon the person so complained of a notice of hearing before the board or a member thereof or before a designated agent or agency, at a place therein fixed, not less than five days after the serving of said notice. Any such complaint may be amended by the member, agent, or agency conducting the hearing or the board in its discretion at any time prior to the issuance of an order based thereon. The person so complained of shall have the right to file appropriate motions or an answer to the original or amended complaint and to appear in person or otherwise and give testimony at the place and time fixed in the complaint. In the discretion of the member, agent, or agency conducting the hearing or the board, any other person may be allowed to intervene in the said proceeding and to present testimony. Any such proceeding shall, so far as practicable, be conducted in accordance with the rules of evidence applicable in the district courts of the United States under the rules of civil procedure for the district courts of the United States, adopted by the Supreme Court of the United States pursuant to the Act of June 19, 1934 (U.S.C., title 28, secs. 723-B, 723-C)."

Remarks—

The T-H Act required that an unfair labor practice complaint contain a "notice of hearing." Under the amendment the complaint need not contain a notice of hearing.

The T-H Act prohibits the NLRB from considering charges that took place more than six months prior to the time the charges are filed. In his 1949 amendments, Taft favored increasing this period to one year. In his 1953 amendments, Taft returns the present 6-month time limit.

Senate Bill 658—This bill reintroduces a number of Senator Taft's 1949 amendments. The bill would: (1) Exempt from the secondary boycott prohibition the refusal of union members to work on struck work; (2) Exclude fines, assessments and other union penalties from checkoff; (3) Permit an employer to waive his right to joint administration of pension and welfare funds and require the Secretary of Labor to certify that the fund meet the act's requirements; (4) Provide that checkoff and trust fund arrangements of existing contracts remain in effect until expiration of contract or July 1, 1954, whichever is sooner.

Change 15—Empowers NLRB to Decide Issues of Law Without a Hearing

Taft-Hartley Act—"10 (c) The testimony taken by such member, agent, or agency or the board shall be reduced to writing and filed with the board. Thereafter, in its discretion, the board upon notice may take further testimony or hear argument. If upon the preponderance of the testimony taken the board shall be of the opinion that any person named in the complaint has engaged in or is engaging in any such unfair labor practice, then the board shall state its findings of fact and shall issue and cause to be served on such person an order requiring such person to cease and desist from such unfair labor practice, and to take such affirmative action including reinstatement of employees with or without back pay, as will effectuate the policies of this act: Provided, That where an order directs reinstatement of an employee, back pay may be required of the employer or labor organization, as the case may be, responsible for the discrimination suffered by him: And provided further, That in determining whether a complaint shall issue alleging a violation of section 8 (a) (1) or section 8 (a) (2), and in deciding such cases, the same regulations and rules of decision shall apply irrespective of whether or not the labor organization affected is affiliated with a labor organization national or international in scope. Such order may further require such person to make reports from time to time showing the extent to which it has complied with the order. If upon the preponderance of the testimony taken the board shall not be of the opinion that the person named in the complaint has engaged in or is engaging in any such unfair labor practice, then the board shall state its findings of fact and shall issue an order dismissing the said complaint. No order of the board shall require the reinstatement of any individual as an employee who has been suspended or discharged, or the payment to him of any back pay, if such individual was suspended or discharged for cause. In case the evidence is presented before a member of the board, or before an examiner or examiners thereof, such member, or such examiner or examiners, as the case may be, shall issue and cause to be served on the parties to the proceeding a proposed report, together with a recommended order, which shall be filed with the board, and if no exceptions are filed within twenty days after service thereof upon such parties, or within such further period as the board may authorize, such recommended order shall become the order of the board and become effective as therein prescribed."

Amendment—Would add to Section 10(c) this sentence: "The board is also empowered to make final decisions on the merits, to the same extent as it is empowered to make such decisions on the record of a hearing of testimony, by granting a motion in the nature of a motion to dismiss the complaint or by denying such motion

...e the person complained of has specifically waived his rights to ...er and hearing."

...marks—

...his section would empower the NLRB, with the consent ...he parties, to decide issues of law without going through ...earing.

...ange 16—Exempts "Struck Work" from Secondary ...oycott Prohibition

...ft-Hartley Act—"Sec. 303(a) It shall be unlawful, for the pur...s of this section only, in an industry or activity affecting ...merce, for any labor organization to engage in, or to induce ...ncourage the employees of any employer to engage in, a ...e or a concerted refusal in the course of their employment ...se, manufacture, process, transport, or otherwise handle or ...on any goods, articles, materials, or commodities or to ...orm any services, where an object thereof is— (1) forcing ...quiring any employer or self-employed person to join any labor ...employer organization or any employer or other person to ...e using, selling, handling, transporting, or otherwise dealing ...he products of any other producer, processor, or manufacturer, ...o cease doing business with any other person;"

...mendment—Would add to section 303(a) the following: "Pro...d, That nothing in (1) of this subsection shall be construed ...make it an unfair labor practice for a labor organization to ...ce or encourage employees to engage in a concerted refusal to ...orm work which because of a current labor dispute between ...ther employer and his employees is, for the duration of such ...ute, no longer being performed by the employees of such other ...loyer;".

...marks—

...he T-H Act prohibits unions from engaging in secondary ...ycotts. This amendment exempts from the T-H Act's ...ondary boycott prohibition, the refusal of union members ...work on struck work.

...or comments see explanation to change 5.

...ange 17—Excludes Fines, Assessments and Penal...ties from Checkoff

...aft-Hartley Act—"Sec. 302(a) It shall be unlawful for any ...loyer to pay or deliver, or to agree to pay or deliver, any ...ney or other thing of value to any representative of any ...employees who are employed in an industry affecting commerce.

(b) It shall be unlawful for any representative of any employees ...o are employed in an industry affecting commerce to receive ...accept, or to agree to receive or accept, from the employer ...such employees any money or other thing of value.

(c) The provisions of this section shall not be applicable."

* * *

(4) With respect to money deducted from the wages of ...ployees in payment of membership dues in a labor organization: ...vided, That the employer has received from each employee, on ...ose account such deductions are made, a written assignment ...ch shall not be irrevocable for a period of more than one year, ...beyond the termination date of the applicable collective agree...nt, whichever occurs sooner;"

...mendment—Would change Section 302(c) (4) to read: "(4) with ...ject to money deducted from the wages of employees in pay...nt of periodic dues or initiation fees (but not including fines, ...essments, penalties, or other payments) in a labor organization: ...vided, that the employer has received from each employee on ...ose account such deductions are made, a written assignment ...ich shall be revocable in writing after the expiration of one year ...upon the termination date of the applicable collective agreement, ...ichever occurs sooner;

...marks—

...he T-H Act prohibits employers from turning over any money to a union. The act then made an exception for money deducted from the wages of employees for the payment of dues if there was a properly executed checkoff authorization. The hitch came as to what would be considered "dues." The Department of Justice which administers this section interpreted the word "dues" in section 302(c) (4) to also cover initiation fees and assessments.[7] Under the Justice Department's opinion the employer could also check off union initiation fees and union assessments. Taft's amendment would permit him to check off initiation fees but would specifically prohibit the checkoff of assessments, fines or other union imposed penalties.

The CIO is opposed to this amendment.[2]

Change 18—Permits Employers to Waive Rights to Joint Administration of Welfare Funds

Taft-Hartley Act—"Sec. 302. (c) . . . (5) with respect to money or other thing of value paid to a trust fund established by such representative, for the sole and exclusive benefit of the employees of such employer, and their families and dependants (or of such employees, families, and dependents jointly with the employees of other employers making similar payments, and their families and dependents): Provided, that (A) such payments are held in trust for the purpose of paying, either from principal or income or both, for the benefit of employees, their families and dependents, for medical or hospital care, pensions on retirement or death of employees, compensation for injuries or illness resulting from occupational activity or insurance to provide any of the foregoing, or unemployment benefits or life insurance, disability and sickness insurance, or accident insurance; (B) the detailed basis on which such payments are to be made is specified in a written agreement with the employer, and employees and employers are equally represented in the administration of such fund, together with such neutral persons as the representatives of the employers and the representatives of the employees may agree upon and in the event the employer and employee groups deadlock on the administration of such fund and there are no neutral persons empowered to break such deadlock, such agreement provides that the two groups shall agree on an impartial umpire to decide such dispute, or in event of their failure to agree within a reasonable length of time, an impartial umpire to decide such dispute shall, on petition of either group, be appointed by the district court of the United States for the district where the trust fund has its principal office, and shall also contain provisions for an annual audit of the trust fund, a statement of the results of which shall be available for inspection by interested persons at the principal office of the trust fund and at such other places as may be designated in such written agreement; and (C) such payments as are intended to be used for the purpose of providing pensions or annuities for employees are made to a separate trust which provides that the funds held therein cannot be used for any purpose other than paying such pensions or annuities."

Amendment—Would change Section 302(c) (5) to read: "with respect to money or other thing of value paid to a trust fund established by such representative, if the Secretary of Labor shall have made a thorough examination of all the provisions of the agreement establishing such fund (including the holding of a hearing if requested by any person demonstrating an interest) and certified that such fund meets the following requirements: That (A) such payments are held in trust for the purpose of paying, either from principal or income or both, benefits with respect to such employees on account of death, injury, illness, unemployment, retirement, medical, surgical, or hospital care (which may include medical, surgical, or hospital care for families and dependents of such employees), or for any one or more of such benefits, or for providing any one or more of such benefits through contracts with insurers; (B) the detailed basis on which such payments are to be made is specified in a written agreement with the employer; (C) unless waived by the employer, employers and employees are equally represented in the administration of such fund together with such impartial umpire to settle a dispute in the administra-

tion of the fund as may be agreed upon, or in the event no such umpire has been agreed upon within a reasonable time after a dispute has arisen the district court of the United States for the district in which the trust fund has its principal office is empowered to appoint such impartial umpire upon petition of any trustee; (D) there shall be an annual audit of the trust fund, a statement of the results of which shall be available for inspection by interested persons at the Department of Labor and at the principal office of the trust fund and at such other places as may be designated by agreement between the employers and the representative; (E) such employer payments as are intended to be used for the purpose of providing pensions or annuities through benefit payments made to such persons directly from the trust estate are made to a separate trust which provides that the funds held therein cannot be used for any purpose other than paying such pensions or annuities; and (F) the trust fund be for the sole and exclusive purpose of providing benefits for employees of such employer (or for such employees jointly with employees of other employers making similar payments)."

Remarks—

The T-H Act prohibits employers from turning over any money to a union, in addition to making an exception for "dues" money checked off from the wages of employees, the T-H Act also made an exception for money used to set up a trust fund for pension or other welfare purposes. The T-H Act required mandatory joint administration by employer and union representative, plus a neutral person, of trust funds set up for pensions, hospital benefits, etc., and for which the employers paid all or part of the funds. Taft's amendment would permit the employer to waive his right to joint administration. The amendment also says that such a trust fund can be valid only "if the Secretary of Labor shall have made a thorough examination of all the provisions, including the holding of a hearing if requested by any person demonstrating an interest, and he certifies that the fund meets the act's requirements." The amendment also requires an annual audit of the fund and a "statement of the results" shall be available to interested persons at the Department of Labor.

The CIO regards this amendment as "extremely objectionable."[2] AFL asks elimination of restrictions.[3]

Change 19—Changes the Effective Date of Checkoff and Trust Rund Requirement

Taft-Hartley Act—"302 (f) This section shall not apply to any contract in force on the date of enactment of this act, until the expiration of such contract, or until July 1, 1948, whichever first occurs."

Amendment—Would change Section 302(f) to read: "(f) This section shall not apply to any contract in force on the date of enactment of this act, until the expiration of such contract, or until July 1, 1954, whichever first occurs."

Remarks—

Because Taft's suggested changes might nullify certain sections of contracts presently in effect this section provides that checkoff and trust fund arrangements of existing union contracts remain in effect until their expiration, or July 1, 1954, whichever occurs sooner.

Senate Bill 659—This bill completely revamps the administrative setup of the NLRB. The bill would: (1) Increase the NLRB's membership from five to seven members, with not more than four from any one political party; (2) Increase the term of office from five to seven years; (3) Increase the quorum requirement from three to four members; (4) Increase the salaries of board members from $12,000 to $15,000 a year; (5) Eliminate the office of NLRB general counsel and set up in its stead the office of administrator of the National Labor Relations Act; (6) Transfer regional offices from NLRB to the administrator; (7) Give the administrator power to investigate unfair labor practice charges and to issue and prosecute complaints before the board; (8) Take away from the board the power to investigate representation petitions and direct representation elections and give this power to the administrator; (9) Make the administrator instead of the board the agency to receive noncommunist affidavits; (10) Give the administrator the right to obtain court review of NLRB decisions; (11) Transfer from the board to the administrator the power to go to the federal courts for a temporary injunction in unfair labor practice cases; (12) Transfer NLRB prosecution and administrative personnel in the regional offices and in Washington from the board to the staff of the administrator; (13) Give the employer against whom a complaint has been issued a quick review from the board as to whether he is in interstate commerce and thus subject to the act.

Change 20—Increases the NLRB to a Seven-man Board

Taft-Hartley Act—"Sec. 3(a) The National Labor Relations Board (hereinafter called the board) created by this act prior to its amendment by the Labor Management Relations Act, 1947, is hereby continued as an agency of the United States, except that the board shall consist of five instead of three members, appointed by the President by and with the advice and consent of the Senate. Of the two additional members so provided for, one shall be appointed for a term of five years and the other for a term of two years. Their successors, and the successors of the other members, shall be appointed for terms of five years each, excepting that any individual chosen to fill a vacancy shall be appointed only for the unexpired term of the member whom he shall succeed. The President shall designate one member to serve as chairman of the board. Any member of the board may be removed by the President, upon notice and hearing, for neglect of duty or malfeasance in office, but for no other cause."

endment—Would change Section 3(a) to read: "The National Relations Board (hereinafter called the board) is hereby ued as an agency of the United States, except that the board consist of seven instead of five members, appointed by the dent by and with the advice and consent of the Senate. The of office of the members of the board in office on the date of ment of this act shall expire as provided by law at the time eir appointment. Of the two additional members so provided one shall be appointed for a term expiring August 26, 1958, he other for a term expiring August 26, 1959. Their successors, the successors of the other members shall be appointed for s of seven years each, excepting that any individual chosen to vacancy shall be appointed only for the unexpired term of member whom he shall succeed. Not more than four members be members of the same political party. The President shall nate one member to serve as chairman of the board. Any ber of the board may be removed by the President, upon e and hearing, for neglect of duty or malfeasance in office, but o other cause."

arks—

he amendment would increase National Labor Relations rd from a five-member to a seven-member board with nore than four members in the same political party. It rides a seven-year term instead of the present five-year h of office.

he AFL and CIO oppose the enlargement of the NLRB.[3] CIO says it is opposed to "the appointment of additional ublican members."[2]

hange 21—Increases Quorum to Four Members

ft-Hartley Act—"3 (b) The board is authorized to delegate ny group of three or more members any or all of the powers h it may itself exercise. A vacancy in the board shall not ir the right of the remaining members to exercise all of powers of the board, and three members of the board shall, l times, constitute a quorum of the board, except that two bers shall constitute a quorum of any group designated pur- t to the first sentence hereof. The board shall have an offi- seal which shall be judicially noticed."

nendment—Would change Section 3(b) to read: "The board is orized to delegate to any group of three or more members any l of the powers which it may itself exercise. A vacancy in the d shall not impair the right of the remaining members to cise all of the powers of the board, and four members of the d shall, at all times, constitute a quorum of the board, except two members shall constitute a quorum of any group desig- d pursuant to the first sentence hereof. The board shall have fficial seal which shall be judicially noticed."

marks—

our instead of three members would now make a urum.

hange 22—Increases Board Members' Salaries

ft-Hartley Act—"Sec. 4(a) Each member of the board and the eral counsel of the board shall receive a salary of $12,000 a year, l be eligible for reappointment, and shall not engage in any other ness, vocation, or employment. The board shall appoint an ex- tive secretary, and such attorneys, examiners, and regional direc- , and such other employees as it may from time to time find ssary for the proper performance of its duties. The board may employ any attorneys for the purpose of reviewing transcripts of rings or preparing drafts of opinions except that any attorney loyed for assignment as a legal assistant to any board member for such board member review such transcripts and prepare drafts. No trial examiner's report shall be reviewed, either be- or after its publication, by any person other than a member of board or his legal assistant, and no trial examiner shall advise or consult with the board with respect to exceptions taken to his findings, rulings, or recommendations. The board may establish or utilize such regional, local, or other agencies, and utilize such voluntary and uncompensated services, as may from time to time be needed. Attorneys appointed under this section may, at the direction of the board, appear for and represent the board in any case in court. Nothing in this act shall be construed to authorize the board to appoint individuals for the purpose of conciliation or mediation, or for economic analysis.

"(b) All of the expenses of the board, including all necessary traveling and subsistence expenses outside the District of Columbia incurred by the members or employees of the board under its orders, shall be allowed and paid on the presentation of itemized vouchers therefor approved by the board or by any individual it designates for that purpose."

Amendment—Would renumber Section 4(a) to 3(d) and change it to read: "Each member of the board shall receive a salary of $15,000 a year, shall be eligible for reappointment, and shall not engage in any other business, vocation, or employment. The board shall appoint an executive secretary, and such attorneys, and other employees as it may from time to time find necessary for the proper performance of its duties. The board may not employ any attorneys for the purpose of reviewing transcripts of hearings or preparing drafts of opinions except that any attorney employed by a board member as his legal assistant may for such board member review such transcripts and prepare such drafts. No trial examiner's report shall be reviewed, either before or after its publication, by any person other than a member of the board or his legal assistant, and no trial examiner shall advise or consult with the board with respect to exceptions taken to his findings, rulings, or recommendations. Attorneys appointed under this subsection may, at the discretion of the board, make application to the courts for enforcement of orders of the board. Nothing in this act shall be construed to authorize the board to appoint individuals for the purpose of conciliation or mediation, or for economic analysis.

"(e) All of the expenses of the board, including all necessary traveling and subsistence expenses outside the District of Columbia incurred by the members or employees of the board under its orders, shall be allowed and paid on the presentation of itemized vouchers therefor approved by the board or by any individual it designates for that purpose."

Remarks—

Increases salary of NLRB members from $12,000 to $15,000 a year. The amendment removes a section giving the NLRB power to establish or utilize regional or local agencies. (This power would be transferred over to the newly created post of administrator, see next amendment.)

Change 23—Create Post of Administrator of NLRA

Taft-Hartley Act—"3 (d) There shall be a general counsel of the board who shall be appointed by the President, by and with the advice and consent of the Senate, for a term of four years. The general counsel of the board shall exercise general supervision over all attorneys employed by the board (other than trial examiners and legal assistants to board members) and over the officers and employees in the regional offices. He shall have final authority, on behalf of the board, in respect of the investigation of charges and issuance of complaints under section 10, and in respect of the prosecution of such complaints before the board, and shall have such other duties as the board may prescribe or as may be provided by law."

Amendment—Would renumber Section 3(d) to 4(a) and change to read: "There is hereby established as an independent agency in the executive branch of the government an office of Administrator of the National Labor Relations Act (in this act called the administrator). The administrator shall be appointed by the President, by and with the advice and consent of the Senate, with reference to his fitness to perform the functions imposed upon him by this act in a fair and impartial manner. He shall be appointed for a term of four years, shall be a member of the bar, and shall receive compensation at the rate of $15,000 per annum. He shall not engage in any other business, vocation, or employment. The

administrator may establish or utilize such regional, local, or other agencies, and utilize such voluntary and uncompensated services, as may from time to time be needed. The administrator may appoint such officers and employees as he may from time to time find necessary to assist him in the performance of his duties. Attorneys appointed under this subsection may, at the direction of the administrator, appear before the board or in court to represent the administrator in any case arising under this act. The President shall also appoint a deputy administrator, by and with the advice and consent of the Senate, who shall perform such functions as the administrator may prescribe and shall be acting administrator during the absence or disability of the administrator or in the event of a vacancy in the office of administrator. The deputy administrator shall be appointed for a term of four years, shall be a member of the bar, and shall receive compensation at the rate of $12,000 per annum. It shall be the duty of the administrator, as hereinafter provided, to investigate charges of unfair labor practices, to issue complaints if he has reasonable cause to believe such charges are true, to prosecute such complaints before the board and the courts, to investigate representation petitions and conduct elections under section 9, and to exercise such other functions as are conferred on him by this act. Nothing in this act shall be construed to authorize the administrator to appoint individuals for the purpose of conciliation or mediation, or for economic analysis.

"(b) All of the expenses of the administrator, including all necessary traveling and subsistence expenses outside the District of Columbia incurred by the members or employees of the administrator under his orders, shall be allowed and paid on the presentation of itemized vouchers therefor approved by the administrator or by any individual he designates for that purpose.

"(c) The administrator shall at the close of each fiscal year make a report in writing to Congress and to the President stating in detail the cases he has prosecuted, the names, salaries, and duties of all employees and officers in his employ or under his supervision, and an account of all moneys he has disbursed."

Remarks—

Under the Wagner Act, the NLRB general counsel was subject to the board. The T-H Act set up an "independent" office of NLRB general counsel, appointed by the President. ident.

Robert N. Denham was the first general counsel appointed under the Taft-Hartley Act. Until Mr. Denham's forced resignation by President Truman there was a continuing controversy between the board and the general counsel regarding the scope of his authority.

Taft's amendments would change the general counsel's title to administrator of the National Labor Relations Act, and delineate his authority. It makes him responsible only to the President. The administrator would be given power to investigate charges of unfair labor practices, to issue and prosecute complaints before the board and the courts, to investigate representation petitions and conduct elections. The board, as contemplated in Taft's amendments, would be purely a judicial body.

The CIO opposes this amendment saying that under it "the office of the administrator would become of far greater importance than, and would quite overshadow, the board."[2]

Change 24—Sets Up Administrator's Office

Taft-Hartley Act—"Sec. 5. The principal office of the board shall be in the District of Columbia, but it may meet and exercise any or all of its powers at any other place."

Amendment—Would change Section 5 to read: "The principal offices of the board and of the administrator, respectively, shall be in the District of Columbia, but they may exercise any or all of their respective powers at any other place."

Remarks—

Administrator's principal office shall be in Washington.

Change 25—Sets Powers of Administrator

Taft-Hartley Act—"Sec. 6. The board shall have authority from time to time to make, amend, and rescind, in the manner prescribed by the Administrative Procedure Act, such rules and regulations as may be necessary to carry out the provisions of this act."

Amendment—Would change Section 6 to read: "The board and the administrator, respectively, shall have authority from time to time to make, amend, and rescind, in the manner prescribed by the Administrative Procedure Act, such rules and regulations as may be necessary to carry out the provisions of this act."

Remarks—

Gives administrator certain powers similar to those of the board.

Change 26—Gives Administrator Power to Conduct Elections

Taft-Hartley Act—"9 (c) (1) Whenever a petition shall have been filed, in accordance with such regulations as may be prescribed by the board—

"(A) by an employee or group of employees or any individual or labor organization acting in their behalf alleging that a substantial number of employees (i) wish to be represented for collective bargaining and that their employer declines to recognize their representative as the representative defined in section 9 (a), or (ii) assert that the individual or labor organization, which has been certified or is being currently recognized by their employer as the bargaining representative, is no longer a representative as defined in section 9 (a); or

"(B) by an employer, alleging that one or more individuals or labor organizations have presented to him a claim to be recognized as the representative defined in section 9 (a);

"the board shall investigate such petition and if it has reasonable cause to believe that a question of representation affecting commerce exists shall provide for an appropriate hearing upon due notice. Such hearing may be conducted by an officer or employee of the regional office, who shall not make any recommendations with respect thereto. If the board finds upon the record of such hearing that such a question of representation exists, it shall direct an election by secret ballot and shall certify the results thereof."

Amendment—Changes final paragraph of Section 9 (c) (1) to read: "the administrator shall investigate such petition and transmit it together with all documents pertaining thereto to the board. Upon receiving such a petition from the administrator, the board if it has reasonable cause to believe that a question of representation affecting commerce exists, shall provide for an appropriate hearing upon due notice, and upon finding that such a question of representation exists, shall direct the administrator to conduct an election by secret ballot and shall certify the results thereof."

Remarks—

Under the T-H Act the board had the power to investigate representation petitions. Taft's amendment would give this function to the administrator. The board under the T-H Act directs representation elections. Under Taft's amendment, the administrator would conduct representation elections.

Change 27—Gives Investigating Power to Administrator

Taft-Hartley Act—"9 (f) No investigation shall be made by the board of any question affecting commerce concerning the representation of employees. . . ."

Amendment—Would change Section 9 (f) to read: "No investigation shall be made by the administrator of any quesion affecting commerce concerning the representation of employees. . . ."

arks—

substitution of the word administrator instead of the
l board. The rest of the section says that the adminis-
or cannot entertain a petition from a union if the union
not filed certain papers with the Secretary of Labor.

nge 28—Requires Noncommunist Affidavits to Be iled with Administrator

ft-Hartley Act—"9 (h) No investigation shall be made by the
d of any question affecting commerce concerning the repre-
ation of employees, raised by a labor organization under
ection (c) of this section, no petition under section 9 (e) (1)
be entertained, and no complaint shall be issued pursuant
charge made by a labor organization under subsection (b)
ection 10, unless there is on file with the board an affidavit
uted contemporaneously or within the preceding twelve-month
od by each officer of such labor organization and the officers
ny national or international labor organization of which it
affiliate or constituent unit that he is not a member of the
mmunist party or affiliated with such party, and that he does
believe in, and is not a member of or supports any organiza-
that believes in or teaches, the overthrow of the United
es Government by force or by any illegal or unconstitutional
hods. The provisions of section 35 A of the Criminal Code shall
applicable in respect to such affidavits."

mendment—In the two places in Section 9(h) in which the
d board appears, the amendment would change it to read
inistrator.

marks—

Under the T-H Act, unions filed with the board their
communist affidavits. Under Taft's amendment, unions
uld file their noncommunist affidavits with the adminis-
tor of the NLRA.

ange 29—Permits Quick Board Review of Employ-er's Status Under Act

aft-Hartley Act—"10 (b) Whenever it is charged that any per-
has engaged in or is engaging in any such unfair labor practice,
board, or any agent or agency designated by the board for such
poses, shall have power to issue and cause to be served upon
h person a complaint stating the charges in that respect, and
taining a notice of hearing before the board or a member thereof,
before a designated agent or agency, at a place therein fixed,
less than five days after the serving of said complaint: Pro-
ed, That no complaint shall issue based upon any unfair
or practice occurring more than six months prior to the filing
the charge with the board and the service of a copy thereof
n the person against whom such charge is made, unless
person aggrieved thereby was prevented from filing such
rge by reason of service in the armed forces, in which event
six-month period shall be computed from the day of his
charge. Any such complaint may be amended by the member,
nt, or agency conducting the hearing or the board in its dis-
tion at any time prior to the issuance of an order based
reon. The person so complained of shall have the right to file
answer to the original or amended complaint and to appear
person or otherwise and give testimony at the place and time
d in the complaint. In the discretion of the member, agent,
agency conducting the hearing or the board, any other person
y be allowed to intervene in the said proceeding and to
sent testimony. Any such proceeding shall, so far as practicable,
conducted in accordance with the rules of evidence applicable
the district courts of the United States under the rules of
il procedure for the district courts of the United States, adopted
the Supreme Court of the United States pursuant to the Act
June 19, 1934 (U.S.C., title 28, secs. 723-B, 723-C)."

Amendment—Would change Section 10 (b) to read: "Whenever
is charged that any person has engaged in or is engaging in
y such unfair labor practice, the administrator, or any agent
or agency designated by the administrator for such purposes, shall have power to issue and cause to be served upon such person a complaint stating the charges in that respect, and containing a notice of hearing before the board or a member thereof, or before a designated agent or agency, at a place therein fixed, not less than five days after the serving of said complaint: Provided, That no complaint shall issue based upon any unfair labor practice occurring more than six months prior to the filing of the charge with the administrator and the service of a copy thereof upon the person against whom such charge is made, unless the person aggrieved thereby was prevented from filing such charge by reason of service in the armed forces, in which event the six-month period shall be computed from the day of his discharge. Any such complaint may be amended by the administrator at any time prior to the hearing on such complaint; thereafter and until the issuance of an order based thereon such complaint may be amended in accordance with the rules and regulations of the board."

"The person so complained of shall have the right to file an answer to the original or amended complaint and to appear in person or otherwise and give testimony at the place and time fixed in the complaint. In the discretion of the member, agent, or agency conducting the hearing or the board, any other person may be allowed to intervene in the said proceeding and to present testimony. Any such proceeding shall, so far as practicable, be conducted in accordance with the rules of evidence applicable in the district courts of the United States under the rules of civil procedure for the district courts of the United States, adopted by the Supreme Court of the United States pursuant to the Act of June 19, 1934 (U.S.C., title 28, secs. 723-B, 723-C).

Any person against whom a complaint has issued may obtain a determination by the board of the question of whether the unfair labor practice alleged in the complaint affects commerce, as defined by this act, by filing a motion to dismiss, and the filing of such motion shall operate to postpone any hearing on the complaint which may be scheduled or in progress."

Remarks—

Under the Taft-Hartley Act the board has the power to issue complaints in unfair labor practice cases. Under Taft's amendments this power would go to the administrator.

Under the amendment an employer against whom a complaint has been issued can get a quick review from the board as to whether he is in interstate commerce and thus subject to the act. The CIO opposes this section of the amendment saying that "the only purpose of this proposal is to supply employers with a new device for delaying unfair labor practice cases."[2]

Change 30—Gives Administrator Power to Seek Court Review of Board Decisions

Taft-Hartley Act—"10 (f) Any person aggrieved by a final order of the board granting or denying in whole or in part the relief sought may obtain a review of such order in any circuit court of appeals of the United States in the circuit wherein the unfair labor practice in question was alleged to have been engaged in or wherein such person resides or transacts business, or in the United States Court of Appeals for the District of Columbia, by filing in such court a written petition praying that the order of the board be modified or set aside."

Amendment—Would change Section 10 (f) to read: "Any person (including the administrator) aggrieved by a final order of the board granting or denying in whole or in part the relief sought may obtain a review of such order in any circuit court of appeals of the United States in the circuit wherein the unfair labor practice in question was alleged to have been engaged in or wherein such person resides or transacts business, or in the United States Court of Appeals for the District of Columbia, by filing in such court a written petition praying that the order of the board be modified or set aside."

Remarks—

Under the present act the general counsel has no direct

recourse in the event the board dismisses a complaint brought by the general counsel. Taft's amendment would give the administrator the right to contest board decisions by obtaining court review of such decisions.

Change 31—Gives Administrator Power to Seek Temporary Injunction

Taft-Hartley Act—"10 (j) The board shall have power, upon issuance of a complaint as provided in subsection (b) charging that any person has engaged in or is engaging in an unfair labor practice, to petition any district court of the United States (including the District Court of the United States for the District of Columbia), within any district wherein the unfair labor practice in question is alleged to have occurred or wherein such person resides or transacts business, for appropriate temporary relief or restraining order. Upon the filing of any such petition the court shall cause notice thereof to be served upon such person, and thereupon shall have jurisdiction to grant to the board such temporary relief or restraining order as it deems just and proper."

Amendment—Would substitute administrator for board in Section 10 (j).

Remarks—

Under the T-H Act the board had the power to go to the federal courts for a temporary injunction in unfair labor practice cases. Taft's amendment transfers this power to the administrator.

Change 32—Spells Out Action That Can Be Taken by Administrator

Taft-Hartley Act—"Sec. 11. For the purpose of all hearings and investigations, which, in the opinion of the board, are necessary and proper for the exercise of the powers vested in it by section 9 and section 10—

"(1) The board, or its duly authorized agents or agencies, shall at all reasonable times have access to, for the purpose of examination, and the right to copy any evidence of any person being investigated or proceeded against that relates to any matter under investigation or in question. The board, or any member thereof, shall upon application of any party to such proceedings, forthwith issue to such party subpoenas requiring the attendance and testimony of witnesses or the production of any evidence in such proceeding or investigation requested in such application. Within five days after the service of a subpoena on any person requiring the production of any evidence in his possession or under his control, such person may petition the board to revoke, and the board shall revoke, such subpoena if in its opinion the evidence whose production is required does not relate to any matter under investigation, or any matter in question in such proceedings, or if in its opinion such subpoena does not describe with sufficient particularity the evidence whose production is required. Any member of the board, or any agent or agency designated by the board for such purposes, may administer oaths and affirmations, examine witnesses, and receive evidence. Such attendance of witness and the production of such evidence may be required from any place in the United States or any territory or possession thereof, at any designated place of hearing.

"(2) In case of contumacy or refusal to obey a subpoena issued to any person, any district court of the United States or the United States courts of any territory or possession, or the District Court of the United States for the District of Columbia, within the jurisdiction of which the inquiry is carried on or within the jurisdicton of which said person guilty of contumacy or refusal to obey is found or resides or transacts business, upon application by the board shall have jurisdiction to issue to such person an order requiring such person to appear before the board, its member, agent, or agency, there to produce evidence if so ordered, or there to give testimony touching the matter under investigation or in question; and any failure to obey such order of the court may be punished by said court as a contempt thereof.

"(4) Complaints, orders, and other process and papers of the board, its member, agent, or agency, may be served either personally or by registered mail or by telegraph or by leaving a copy thereof at the principal office or place of business of the person required to be served. The verified return by the individual so serving the same setting forth the manner of such service shall be proof of the same, and the return post office receipt or telegraph receipt therefor when registered and mailed or telegraphed as aforesaid shall be proof of service of the same. Witnesses summoned before the board, its member, agent, or agency, shall be paid the same fees and mileage that are paid witnesses in the courts of the United States, and witnesses whose depositions are taken and the persons taking the same shall severally be entitled to the same fees as are paid for like services in the courts of the United States.

* * *

"(6) The several departments and agencies of the government, when directed by the President, shall furnish the board, upon its request, all records, papers, and information in their possession relating to any matter before the board.

"Sec. 12. Any person who shall wilfully resist, prevent, impede, or interfere with any member of the board or any of its agents or agencies in the performance of duties pursuant to this act shall be punished by a fine of not more than $5,000 or by imprisonment for not more than one year, or both."

Amendment—Would change Section 11 to read: "For the purpose of all hearings and investigations which are necessary and proper for the exercise of the powers set forth in section 9 and section 10—

"(1) The board and the administrator, or their duly authorized agents or agencies, shall at all reasonable times have access to, for the purpose of examination, and the right to copy any evidence of any person being investigated or proceeded against that relates to any matter under investigation or in question. The board, or any member thereof, shall upon application of any party to such proceedings, forthwith issue to such party subpoenas requiring the attendance and testimony of witnesses or the production of any evidence in such proceeding or investigation requested in such application. Within five days after the service of a subpoena on any person requiring the production of any evidence in his possession or under his control, such person may petition the board to revoke, and the board shall revoke, such subpoena if in its opinion the evidence whose production is required does not relate to any matter under investigation, or any matter in question in such proceedings, or if in its opinion such subpoena does not describe with sufficient particularity the evidence whose production is required. Any member of the board, or any agent or agency designated by the board *or the administrator* for such purposes, may administer oaths and affirmations, examine witnesses, and receive evidence. Such attendance of witnesses and the production of such evidence may be required from any place in the United States or any territory or possession thereof, at any designated place of hearing.

"(2) In case of contumacy or refusal to obey a subpoena issued to any person, any district court of the United States or the United States courts of any territory or possession, or the District Court of the United States for the District of Columbia, within the jurisdiction of which the inquiry is carried on or within the jurisdiction of which said person guilty of contumacy or refusal to obey is found or resides or transacts business, upon application by the administrator shall have jurisdiction to issue to such person an order requiring such person to appear before the board, its member, agent, or agency, or the administrator if the subpoena so directs, there to produce evidence if so ordered, or there to give testimony touching the matter under investigation or in question; and any failure to obey such order of the court may be punished by said court as a contempt thereof.

* * *

"(4) Complaints, orders, and other process and papers of the board, its member, agent, or agency, or the administrator may be served either personally or by registered mail or by telegraph or by leaving a copy thereof at the principal office or place of business of the person required to be served. The verified return by the individual so serving the same setting forth the manner of such service shall be proof of the same, and the return post office receipt or telegraph receipt therefor when registered and mailed or telegraphed as aforesaid shall

proof of service of the same. Witnesses summoned before Board, its member, agent, or agency, or the administrator, be paid the same fees and mileage that are paid witnesses he courts of the United States, and witnesses whose depositions taken and the persons taking the same shall severally be led to the same fees as are paid for like service in the ts of the United States.

* * *

(6) The several departments and agencies of the government, n directed by the President, shall furnish the board or the inistrator upon request, all records, papers, and information their possession relating to any matter before the board he administrator."

Sec. 12. Any person who shall wilfully resist, prevent, impede, nterfere with any member of the board or any of its agents gencies of the administrator or his agents, in the performance luties pursuant to this act shall be punished by a fine of not e than $5,000 or by imprisonment for not more than one , or both."

narks—

The amendments in the wording of Section 11 of the T-H provide for the listing of the newly created office of inistrator along with other groups who can take action the name of the board.

ange 33—Transfers NLRB Personnel to Administrator

aft-Hartley Act—No comparable section in T-H Act.

mendment—"All officers and employees of the National Labor ations Board performing functions, which by this act are le the duty of the administrator, are hereby transferred to office of administrator of the National Labor Relations Act ether with such files, records, and unexpended balances of ropriations as may be necessary to enable the administrator carry out his functions. Such transfer shall take effect upon sixtieth day after the date of enactment of this act. Such sfer shall not affect any proceedings pending before the board any certification or order theretofore made by it."

Remarks—

This amendment transfers NLRB personnel in the regional offices and in Washington who are connected with prosecution and administration of the act to the staff of administrator. In effect this means that practically the whole staff connected with the National Labor Relations Board, except the law assistants and the personal staff of the board members, would be reporting to the newly created post of administrator.

Change 34—Sets Effective Date of Amendments

Taft-Hartley Act—No comparable section in T-H Act.

Amendments—"The amendments made by this act shall take effect sixty days after the date of its enactment, except that the authority of the President to appoint additional members conferred upon him by section 3 as herein amended may be exercised forthwith."

Remarks—

Provides for immediate appointment of additional board members, but the act is not effective till sixty days after enactment.

JAMES J. BAMBRICK, JR.
Division of Personnel Administration

[1] Address of Senator Robert A. Taft before the Berrien County Republican Committee, Benton Harbor, Michigan, September 24, 1952.
[2] Statement of the CIO executive board on Senator Taft's proposed amendments to T-H Act.
[3] Statement of March 3, 1953, by George Meany, president of the American Federation of Labor, before the House Committee on Labor and Education on Taft-Hartley Act amendments.
[4] Address of General Dwight D. Eisenhower before AFL convention in September, 1952.
[5] Statement of George W. Armstrong, Jr., chairman, industrial relations committee, National Association of Manufacturers, to House Committee on Labor and Education, March 4, 1953.
[6] *New York Times*, February 10, 1953, page 23.
[7] See "Union Security and Checkoff Provisions," *Studies in Personnel Policy*, No. 127, page 119.

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xecutive Compensation

(*Continued from page 77*)

nths after such exercise and for at least two years er the grant of the option.

Where the option price is between 85% and 95% the value of the stock at the time the option was anted, the gain upon sale of the stock by the tionee is, to the extent of the spread between the tion price and the market value at the time the tion was granted, taxed as ordinary income. The maining gain is taxed as capital gain; and in the se of any option where the option price is 95% or ore of the value of the stock at the time the option as granted, the gain upon the sale of the stock by e optionee is taxed only as a capital gain.

It is readily apparent that an optionee does not get vorable tax treatment unless he holds the stock quired upon exercise of the option for a considerable period after such exercise. Furthermore, in the case of many stock option plans, the granting corporation has not wanted to register the optioned shares under the Securities Act of 1933. Accordingly many corporations have severely limited the number of optionees and have made each optionee covenant that in exercising the option he will acquire the stock for investment and without any present intent of selling it. This delay in the right to sell has caused many companies to balk at getting into stock option schemes at all, for they are concerned about tying up their employees for any length of time on a loan made for the purpose of exercising the option. If an optionee borrows money to buy the stock, in most cases at least the only way he will be able to repay the loan is to sell the stock.

Stock opinions, if operated on the installment plan or through borrowing, are, of course, not a one-way street. They then become in substance stock purchase arrangements, and I am sure that you will recall numerous such arrangements in the Thirties. Some

of the best key executives were filled with gloom because they had agreed to buy stock at the current market, had borrowed money or given notes to their employers for this purpose, and then had seen the market value of the stock fall far below the subscription price. Many felt that for the rest of their lives they would have to work for a dead horse. Management faced a severe morale problem and, in many instances, cancelled subscription agreements or forgave notes. There followed a large number of suits against directors for having wasted corporate assets, and these arrangements in general produced a great deal of difficulty.

If a stock option plan is to be really successful, the market price of the stock must go up. Yet if the employee is to get the full capital gain treatment, the option price is required by Section 130A to be at least 95% of the "fair market value" of the stock at the time the option is granted, and this is very difficult to determine in the case of an unlisted stock. This factor alone has caused many boards of directors to rule out stock option plans.

If a stock option plan is adopted, the selection of stock option recipients must be made with great care. Under no circumstances should the acceptance of an option or its exercise be made a test of loyalty to a department head who has called all his key employees in and told them that he wants to have his department register 100% vote of confidence in the management by accepting and exercising the options. There is no worse way to operate a stock option plan.

Instead it should be explained to prospective optionees that there are only three ways to raise the cash necessary to exercise an option, namely through savings which will reduce the optionee's current standard of living, or borrowings on the collateral of fixed assets such as their homes or life insurance, or unsecured bank loans.

The prospective optionees should be told that if they borrow to exercise the option, their employer is not going to come to their rescue if the stock goes down. They should be assured that they will be under no obligation whatsoever either to take the option or to exercise it, and that what they do in this respect will not affect their positions in the organization.

Aside from these operational problems there are various legal risks in stock option schemes. The law of the state in which the corporation is chartered must be carefully considered, together with any relevant provisions in the corporation's charter or by-laws. Some state laws contain specific provisions regarding stock options. In some, a specified vote of stockholders, which varies between a majority and two thirds, is required; in some, dissenting stockholders are entitled to appraisal rights which may be both expensive and time consuming; in some, it makes a difference whether treasury stock, or authorized but previously unissued stock, is used; in some there are difficult questions about the elimination of preemptive rights; and in almost every case, the prospective participation by directors in the stock option plan is an important factor in deciding whether or not to seek stockholder approval.

In the past year there have been three cases in the Delaware courts in which stock option plans have been attacked, and during the past week a case involving the Standard Oil Company (New Jersey) was decided by a New Jersey court.

The attacking stockholders generally take the position that there is no known method of relating the value of the services of the executive, over and above the cash compensation he receives for such services to the value of his stock option. They produce experts who testify that the value of stock has increased materially over the last twenty years. And they try to prove, by making various assumptions, that the same thing can happen in the next twenty years, and that the amount of compensation that the executive will receive, if this occurs, will be out of all proportion to the cash compensation currently being received by executives of other companies. Thus the primary basis of attack is that stock options issued in connection with employment are generally issued without consideration on the part of the optionee and accordingly constitute a waste of corporate assets.

While many boards of directors have tried to value stock options at the time they are granted, I have come to the conclusion that any such valuation is at best an educated guess. I have discussed this with economists, mathematicians and members of the stock exchange who deal in calls. None of them know how to value a "restricted stock option," which is non-transferable, can be exercised only by the employee himself while he is an employee or within three months thereafter, and the stock received upon the exercise of which must be held for a specified period in order for the transaction to result in capital gains tax treatment.

The recent decisions in Delaware and New Jersey have likewise concluded that a dollar value cannot be put on a restricted stock option. They have stated only that the value of such an option must bear a reasonable relationship to the value of the consideration to be received by the corporation for it. Where it can be proved that an option has been granted to a new executive in order to induce him to come with the company, or that an option has been granted to an old executive to induce him not to leave the company at a time when he was considering leaving, consideration can easily be proved, but the courts have held that stock options may be validly issued in circumstances other than these.

The crux of the problem is whether the courts or boards of directors are entitled finally to determine whether the corporation has received a valid consideration for the options. A federal court in Pennsylvania in 1943 in the first Budd case[1] held that the grant of stock options by the Budd Company was invalid because there was no agreement on the part of the optionees to remain in the employ of the corporation for a specified period.

The stock option plan was then amended to require that, as a condition for the receipt of a stock option, an optionee had to agree to remain in the employ of the corporation for one year following the grant of the option, and as so amended the plan was upheld by the court on the theory that once some consideration to the corporation was proved, the judgment of the board of directors as to the reasonableness of its relationship to the value of the stock options was final and conclusive and could not be re-examined by the court.

Where a stock option plan, which provides for the grant of stock options to key employees including directors, has been approved by the stockholders, the Delaware court (in the Heyden Chemical case, decided in August, 1952) said that the burden of proving lack of a reasonable relationship between the value of the stock options and the value received by the corporation therefor was on the complaining stockholder, and unless such stockholder could prove that the value of the option granted was so much greater than the value to the corporation of retaining the optionee in its employment that no reasonable man could be expected in good faith to consider the bargain attractive to the corporation, the grant of the options would have to be upheld. It comes down to a question of degree, and it seems doubtful that any court today would sanction the grant of a large long-term restricted stock option to an officer in consideration of his agreement to remain with the corporation for one week, or in the alternative the grant of such an option the exercise of which was conditional on the optionee's remaining in the employment of the corporation for one week.

The general language of the courts in the recent Delaware cases, involving California Eastern Airways, Heyden Chemical, and C.I.T. Financial Corporation and in the recent New Jersey case involving Standard Oil Company (New Jersey) indicates that if there is some reasonable consideration flowing to the corporation, this is sufficient. In the Standard Oil case the court stated, among other things, that whether the options were regarded as additional compensation or as incentive, the plan was valid. The Standard Oil plan required that optionees had to remain in the company's employ for at least one year after the grant of options before such options could be exercised.

[1] *Holthusen v Edward G. Budd Mfg. Co.*, 52 F. Supp. 125. (1943)

Complaining stockholders also frequently attack the presentation of the plan to the stockholders, and claim that the proxy statement describing the plan was inadequate for failure to describe fully the tax results of the plan to the corporation or for failure to include material information such as the names of prospective optionees, the shares to be optioned to each, the proposed option price and duration, and the compensation presently being received by prospective optionees, including profit-sharing, pension and other similar benefits. While the absence of some or all of these items may not be fatal in a particular instance, great care must be taken in the preparation of a proxy statement so that the voting stockholders are fully informed with respect to the plan and the compensation being received by prospective optionees, particularly those who are officers or directors.

In operating particular plans, corporations must be careful not to allot too large a block of stock to the chairman of the board or the president, for the result over a period of time may be corporate waste of the type held invalid in the famous case involving George Washington Hill and The American Tobacco Company. This case emphasizes the fact that hindsight as to increase in market value of the corporation securities over a period of years may be more important than foresight in determining the difficult question of waste of corporate assets in so far as it affects the operation of stock option plans.

Under salary stabilization regulations [suspended February 6, 1953], stock options must be granted as an incentive and not as additional compensation for services in order to be free of the requirement of prior approval by salary stabilization authorities. Furthermore, to comply with these regulations the option price must be at least 95% of the market value of the stock at the time the option is granted and the option *by its terms* must be exercisable only while the optionee is an employee of the grantor or within three months thereafter. Obviously if a man is approaching sixty-five and compulsory retirement, it is difficult to say that an option is granted to him as incentive and not as additional compensation. In view of this, and the holding periods imposed by Section 130A, many corporations do not grant options to employees over age sixty or sometimes sixty-two.

The Securities and Exchange Commission regulates what must be shown in proxy statements, Form 8-K's and Form 10-K's subsequent to the grant of options. The requirements are detailed and burdensome, and boards of directors must bear in mind that full disclosure will be required of the names of principal optionees, the number of shares optioned to each, the option prices, dates of exercise, and the market value of the stock on such dates. In addition, all the other remuneration paid to optionees in this category will have to be fully disclosed.

The reception of restricted stock option plans by

stockholders, where the number of shares proposed to be optioned bears a reasonable relationship to the total number of issued and outstanding shares, and where the present cash compensation of potential optionees is not out of line, has been quite remarkable. The number of dissenting votes has generally not exceeded 2.5% to 3%.

Some financial writers have been urging stockholders not to give proxies to managements in which officers and directors do not own a substantial block of stock. As a result, a small percentage of returned proxies have contained notes stating in substance: "I have not voted for the management slate of directors because they don't have enough confidence in the corporation to own its stock!" The truth is that a great many men who are excellent creative managers have been unable to save enough money to invest in stock. Despite this, if restrictive stock option plans are to succeed the optionees will have to hold the stock they acquire. If it works out that most optionees hold the stock only for the minimum period and then sell it, there will be a decided unfavorable stockholder reaction.

On occasion labor leaders have raised questio about stock option plans, especially if in current wag negotiations the management is trying to hold the lir at the 10% allowed under the wage stabilizatio "catch-up" formula. Some of these labor men asse that the management is thereby discriminating i favor of executives. Others, however, say they fav stock options because the existence of such plans giv labor a strong talking point.

Stock options are only a part of the incentive an compensation package for those employees who it expected will contribute most to a corporation's futu earnings. They are not a perfect device. They hav many defects, and whether they succeed will depen in large part on the future economy. But in any even a corporation contemplating the adoption of a stoc option plan should consider its earnings' record and it stability of employment over a period of ten or fiftee years, and should be reasonably sure that the benefi of the plan will begin to be felt by the corporation an accrue to the optionees in about three years. Otherwis I believe that a stock option plan may prove to be liability.

Deferred Compensation under Executive Employment Agreements

by William A. Patty

THE GREAT ADVANCES by American business during the last fifteen years have been made possible in large part by the amazing abilities of the so-called top management group. Despite their remarkable accomplishments, however, and their vital importance in keeping our present defense economy in high gear, they haven't been faring too well themselves. Being largely dependent upon salary rather than ownership, high taxes and inflation have made their rewards in many cases far from commensurate with their contributions.

Figures published in the *Harvard Business Review* for March-April of last year show that an executive who was making $45,000 in 1939 is making in the neighborhood of $60,000 today. The $60,000 is worth only $18,000, however, in terms of 1939 purchasing power. His income after taxes is off 60%, therefore, in terms of purchasing power. To have merely broken even he would have to be making in the neighborhood of $250,000 today.

Under present conditions, therefore, an executive has very little possibility of accumulating an estate of any size from his salary. This is a matter of concern not only to him but his employers, for his peace of mind and undivided attention are so necessary to top efficiency. It is obvious, therefore, why both the com pany and executive are anxious to explore any feasibl method of giving him increased security.

Is deferred compensation a possible solution? I some situations it is, and I believe a couple of exam ples will best illustrate what can and what cannot b done in this way.

You will recall the plane disaster not long ago i which a number of top executives of a company lo their lives. Assume that American Corporation ha suffered such a misfortune and has no one immediatel available for promotion within its own organizatio It needs a capable and experienced top executive, an its board of directors knows of a man, whom I sha call John Smith, who is vice-president of United Co poration. He is forty-five and his present salary $60,000. He has an assured future with his compan and has accrued but not vested rights to a retiremen income of $15,000 under their qualified pension plan.

American would be willing to pay him $100,000 i salary, but a little simple arithmetic shows them tha Smith would probably not be interested. Even assum ing a substantial reduction from present income ta rates, about two thirds of the $40,000 increase woul go to Uncle Sam. Over the twenty years until his re

ment he would keep after taxes only enough to chase an annuity equal to his present pension crual. Smith obviously would not leave his present ire position to risk the uncertainties of a new job hout a substantial financial improvement. Increased rent salary within American's established salary edule is not the answer. Some other method must found.

Would a trust supply the solution? Suppose Ameri- and Smith agree that he will receive $75,000 in ary, and an additional $25,000 will be contributed h year to a trust. What are the tax consequences? f the contributions are vested—in other words, ith or his family are sure to receive them eventually his retirement or death—the arrangement works all ht for the company. The tax law refers to such con- butions as "nonforfeitable," and they are deductible made. The arrangement would be disastrous for ith, however. He would be taxed as if he had been id the entire $100,000 as salary. He is considered to eive sufficient benefit to justify the imposition of tax. He has in effect accepted payment in kind.

Suppose the contributions are not vested—this uld be the case if Smith is required to "earn out" right to the funds in the trust by working for nerican until retirement. This arrangement is all ht for Smith taxwise. The tax law describes such ntributions as "forfeitable." Smith would not be xed until he actually receives payment upon retire- nt. But it would be a poor business bet for him to ke the risks of the new job without something more rtain to replace his pension accrual. This plan, fur- ermore, is very costly to American, for it will be lowed no deduction at any time for the "forfeitable" ntributions. A trust affords no solution.

Would the purchase of an annuity contract by merican for Smith be any better? The answer is no. he results are just the same as under the trust. If mith's rights are "nonforfeitable," he is taxed on the remiums in the year paid even though he may not ve to receive any payments and even though the ntract is not assignable and has no cash surrender alue. This harsh result is justified on the ground that accepted payment in kind.

On the other hand, if Smith's rights under the an- uity contract are "forfeitable," he is not taxed until ceipt, but American is allowed no deduction at any me for the premiums paid.

For these reasons, trusts and annuities have been rtually abandoned as methods of compensating ex- cutives, except, of course, in connection with "quali- ed" plans.

American finally decides to offer Smith the following ree-part agreement, which is typical in these situa- ons. It is nonassignable and unsecured.

I. Smith is to receive a salary of $75,000.

II. He is to receive monthly retirement payments of $2,000 beginning at age sixty-five, payable for fifteen years certain. In the event of death, the payments are continued to his widow or heirs. These payments are contingent only on Smith's not engaging in any competing business.

III. He will be entitled to additional monthly retirement payments of $1,000 per month for fifteen years provided he works for American until retirement or death. These payments also will be contingent on his not engaging in a competing business, and also upon rendering advisory services upon request.

American has obligated itself to pay approximately $500,000 in deferred compensation over fifteen years. This is the same amount it would have been willing to pay as additional salary during the twenty years to Smith's retirement.

Assuming Smith works to retirement, he would receive $36,000 per year for fifteen years. This would leave $25,000 per year after taxes. The total for the fifteen-year period would be $350,000, which is more than double the figure he would retain out of the same gross amount paid as current salary.

Smith could afford to accept this offer. He receives an immediate increase commensurate with his new responsibilities. Even though he and American don't hit it off, he and his family are assured of $24,000 per year of retirement income for fifteen years. This compares favorably with his present pension rights. He also has a chance to "earn out" an additional $1,000 per month of retirement income by working for American until his retirement.

Is there anything wrong with this arrangement from a tax standpoint? Let's ignore for the moment the contingencies. The question, of course, is whether Smith will be considered to have received taxable income prior to actual receipt of retirement payments. Will the value of American's agreement to pay $2,000 per month beginning at the age of sixty-five be taxable to Smith at the time of its execution? Will the agreement to pay the additional $1,000 per month be taxable when "earned out" at retirement age? In my opinion, the answer is no in the case of a cash-basis taxpayer.

The Internal Revenue Code does not refer specifically to such agreements. It does provide that all gains shall be taxable, and the Supreme Court has said the language of the statute is broad enough to include any economic benefit conferred on the employee as compensation. However, no decision has ever held taxable, as income to a cash-basis taxpayer, the making of a mere nonassignable and unsecured contract for future payments such as this one. On the contrary, many decisions have held that such agreements do not constitute income.

Why, then, is there any hesitancy about deferred compensation arrangements? They unquestionably do afford opportunities for deliberate tax reduction. Consider, for example, the case of an employee who is making $100,000 and who goes to his employer and says, "Reduce my salary to $75,000 and pay me the balance upon my retirement." The government would seem to be in a strong position to tax the employee the amounts he had previously received and surrendered.

An interesting recent case, however, looks the other way. This is the Oates case, decided this past June by the Tax Court. There the taxpayers were general agents of a life insurance company. On retirement they were entitled to a percentage of renewal premiums for a period of nine years. Experience showed that of the total they would receive, about 21% would be received the first year, 19% the second year, 16% the third year, and so on down to 1% in the ninth year. About 56% would fall in the first three years. Evidence in the case showed that some general agents were in want in the later years of their lives, and there was considerable dissatisfaction with the form of the agreement.

The association of general agents worked out with the company a plan to pay instead level payments over a period of fifteen years. Prior to retirement, the general agent was given several options as to the amounts he would receive. If he made a conservative election, he was sure to receive the total amount for the full fifteen years, and perhaps a lump sum in addition. If he took a higher amount, he might not receive the full amount for the entire fifteen years. The insurance company did not agree to pay anything more than it had previously agreed to. It simply agreed to pay less in the earlier years and to spread the entire amount over a longer period in level amounts.

During the first three years after retirement, the taxpayers received $60,000 under the amended contract. They would have received $200,000 under the original contract. The government argued that the second agreement should be ignored as a mere device to defer income and thus reduce taxes, and that the income which would have been received under the original contract should be taxed. It conceded that the case was of considerable importance throughout the whole field of deferred compensation.

The court held that only the amounts actually received were taxable. It is significant that the court found as a fact that the taxpayers had not suggested the plan, but that it had been "developed, formulated, and offered by the company as a part of its general administrative policy in dealing with the entire group of its general agents." It is also significant that the court based its decision on two cases in which there had been deferments of income payments in pa least, for the benefit of the debtor.

To me, the case gives important new suppor the proposition that an employer and employee arrange or rearrange their compensation progra their mutual advantage, as long as the result is a sonable over-all retirement or incentive program, that the Treasury is not justified in departing basic principles of cash-basis taxation unless ther been a deliberate and unreasonable distortio income.

So far I have discussed only two extremes- Smith agreement, which clearly should be safe, a the other extreme, a deliberate attempt to reduce by surrendering and deferring a part of an exi salary. There are many situations in between. question is on which side of the line they fall. example, United certainly should be able to American's offer and hold Smith by an agreement viding him with more adequate retirement incom the same token, although there is no immediate t that executives will be lost, a company should be to tie its key executives to it by agreements prov for their future security. The emphasis here will "earning out" the right to the compensation b maining with the company until retirement, as in III of the Smith agreement.

Now, a word about contingencies. Although a conditional deferred compensation contract whi reasonable in purpose and amount seems to be o grounds, most of them contain additional safeg against the agreement being taxed in the year of e tion or upon retirement. There will normally be further "earning out" requirements. Each retire payment, for example, will be contingent upo employee not engaging in any competing busine upon giving advisory services. A top executive ordinarily possess "know-how" which would be c if available to a competitor, or he may have a ground of experience of great value in an emerge for example, in a litigation growing out of som transaction. In my experience, these clauses are sidered of great importance by the employer.

The retirement payments are sometimes made tingent upon the amount of earnings of the com or they may be limited to an amount which will the employee's total retirement income up to a sp figure, or they may be geared to a price index. purpose of such provisions is to relate the oblig of the company to the needs of the employee, own ability to pay.

Frequently the company agrees to pay as retire income the equivalent of the then value of a number of shares of its stock, or the payments even be made partly in stock. This type of agree

ides an incentive to increase the value of the stock also a partial hedge against further inflation.
ny danger of the imposition of a tax on the agreet would seem to be eliminated by such provisions h make its value uncertain. If they are sham, how-, or of no substance in a particular case, they will o help. For example, if the nature of the emee's job was such that his knowledge or ability ld not be of competitive value, or if the employer public utility, a noncompetition provision would ously be mere window dressing.
ow, just a few miscellaneous points.
roup Plans. Individual contracts frequently are nded into plans for a number of key executives. rds in stock units or of a share of profits to such oup provide a powerful incentive to increase earn- and thus the value of the stock, in addition to ie-in and deferment aspects of the fixed obligation ract.
formal Funding. If the company has agreed to ement payments for the life of the employee, or death benefit, it may want to hedge its liability urchasing for itself an annuity or insurance policy he life of the employee. Or it may want to accumu- funds in a special account or reserve to meet a l obligation. So long as the employee has no contual rights in these assets, but is solely a general itor, the principle of payment in kind should not pplicable.
eath Benefits. Death benefits are frequently pro- d for the widow or heirs. The value of such future ments is required to be included in the estate for purposes, and should be kept in mind in estimating cash requirements of the estate. In addition, the ments are subject to income tax upon the person receives them. A double tax is partly avoided by allowance of a deduction for income tax purposes pro rata share of the estate tax.
ualified pension, profit-sharing and savings plans of course, the most efficient of the deferred comsation tools from a tax standpoint. Because of the d coverage required, however, they lack flexibility. comparison, deferred compensation contracts may ailor-made to fit each specific situation.
ompared with stock options, the deferred compenon contract has the advantage of requiring no tal outlay or market risk. The qualified plan and restricted option, on the other hand, have the dist advantage of the express approval of Congress.
is hard to dispute the old adage that "A bird in hand is worth two in the bush." In our example, time will tell whether Smith would be wiser to the current or the deferred income. In the event rther inflation and higher taxes during the retiret period, the current income, if invested wisely, nt be worth more than the deferred income. My problem in building up a fund for retirement out of current income—and I think it is a fairly general one—is that the fund is continually disappearing.

My conclusion is that there are many situations where the deferred compensation contract can be a safe and effective tool in working out a well-rounded retirement or incentive compensation program.

Accounting Questions Involved in Compensation Plans

by Willard E. Slater

IN A BROAD SENSE, the accounting problems in connection with executive compensation plans are the same as those confronting the compensation-determining body of the particular enterprise. However, it is usually necessary for the accountant to make a determination of the exact amounts where computations are required. These determinations can become quite involved. As accountants, we are interested in knowing that the plan is workable, and that it takes care of the equities prevailing in the particular case.

There have been as many different plans as there are organizations—and that is as it should be. Each plan should be tailor-made and should have some aspects that are slightly different. I am going to comment on some of the features of such plans which I believe should be contained in most of them.

First, the plan should furnish an adequate incentive for rewarding the executive in order to bring forth his best efforts. With the tax rates now in effect, this calls for consideration of such matters as stock options, deferred compensation, and other ways of relieving the present tax burden.

It is obvious that we have reached the point in rate of taxation where proper incentives cannot be insured by merely raising salaries. In other words, to determine the amount of incentive provided by giving an adjustment in salary, it is necessary to determine how much the executive can keep. Perhaps a more direct approach would be to reduce taxes, especially taxes on compensation, and I am glad to see that some thought is being given to that problem by the new Administration.

Other plans, such as have been discussed, result in getting the proceeds from present efforts at a later date. The direct approach of tax reduction is far better than deferred income because the executive gets it sooner.

Another feature of a good compensation plan is that it should be kept current. Many companies during the period following World War II failed to bring their

plans up to date. As a result, many were caught in an unfortunate position later on when salary stabilization was invoked. Boards of directors and executives should make at least an annual review to make sure they have recognized any changes in the business picture. It is just as necessary at the top level of management as it is at other levels of personnel, but it isn't necessary to do it quite so often.

Current reviews, systematically followed, constitute an incentive plan in and of themselves. There should be an objective review recognizing the changes that may have taken place in the achievements of each executive during the period under review.

Plans based upon profits tend to recognize some of these changes, but do not always do so. A few matters in connection with profit-sharing plans concern us as accountants. There are many variations of profit-sharing plans, and I am referring to bonus arrangements when I talk about this. Essentially, an enterprise is operated for the benefit of the stockholders or owners, who should be given first consideration. A portion of the profits should be set aside as an amount representing the normal return for the investment and risk involved.

When an amount of profits is reserved for the benefit of the owners, this amount should be made very clear. The plan should not merely say, "6% of net worth or capital." Preferred stock issues, capital added during the year, and surplus at the beginning and perhaps at the end of the year, are all matters to be clarified in determining what constitutes "net worth" under bonus arrangements.

For these normal earnings, a normal salary should be paid, representing the going rate for the particular executive position involved. Management may then be entitled to share in profits in excess of these amounts. This share will depend upon the relative contribution of good management to these profits.

The plans should be sufficiently broad in their application to include junior executives. We are faced today with a growing mortality rate among our experienced executives. The pace is fast in business, and the executive positions are more demanding of their time and energy. It is urgent, therefore, to have a carefully trained junior executive group.

The profit plan should be at least broad enough to accomplish this result. The participation of each executive should be related to his ability to influence profits in the area assigned to him, by the wisdom of his decisions, and the effect of his actions.

As accountants, we still experience difficulty in connection with new plans which are based upon profits, in that the plan is sometimes not clear as to whether the profits are before taxes and before bonus or after. The plan should be extremely careful to spell this out clearly. When the plan provides for a percentage of the net profits of the company, it is necessary for accountant to use the profit after taxes and after bonus itself. This is sometimes contrary to the un standing of all parties concerned, and leads to l unpleasant results.

While profits to be taken into consideration bonus computation are ordinarily after taxes, bonus may be computed by adjusting the bonus centage downward and applying it to profits be taxes. This will ordinarily aid in the computation understanding of the amount computed.

Another troublesome feature is that of renegotiat This amount is not likely to be determinable at time when it is necessary to disburse the bonus. plan should be specific on this subject as to how it i be handled.

The plans should provide that the determinatio profits as finally made at the year-end will be bind on all parties. This should eliminate any later ca for reopening.

Despite the carefulness of year-end determinati there are still matters which will arise affecting p years. Plans should clarify how such matters sho be handled. Matters of major importance might h to be resubmitted to the board of directors for proval, if the plan is not broad enough to cover th

If several compensation plans are involved, i often difficult to determine which plan comes when the bonus is not deducted from profits in mak the computations. If a new plan is added, it sho make this determination where one previously exi

The use of profit brackets should be avoided. creates too much pressure to get into the next be bracket, and, once in it, not enough to do better. I thinking of a bonus, say, of $50,000 on profits $500,000 and no bonus to be added until the pro reach $550,000. Under such a plan there is very li incentive on the part of management to add $49, to the existing profits.

In establishing a new plan for fiscal-year compan there is often an opportunity to fix the right to m partial payments, thus spreading the income over m taxable years of the recipient.

No compensation plan is quite complete with consideration of expenses and their reimbursem from the enterprise. Reimbursement for expense is item that helps right now. It helps later, where reimbursement is involved, to be able to get a deduction for it. This is looking at the problem fr the standpoint of the employee.

There is also the other side of it, with which accountant is faced; that is, the decision as to whet or not it is a proper expense of the enterprise. quently, the independent accountant is obliged to termine the propriety of the expense reimburseme and it is an awkward position to be in sometimes. I always possible for the accountant to refer doub

:ters of this kind to the same authority that ;inally determined the salary of the executive whose enses are being reviewed. For some executives, ; may be the board of directors.

tegardless of the sympathies of the accountant to fact that the tax rates are too high, it is still essary to be objective as to reimbursable expenses executives. Policies as to reimbursement should be l defined. If executives are to be paid a certain ary and expenses are to be paid from it, it is desir- e that this fact be set forth, either in the minutes, ere the salaries require board approval, or by morandum for junior executives and sales personnel. Jnder these circumstances, it is possible for the cutive to establish his right to secure a tax deduc- n for himself, if the expenditure is for a business rpose. Otherwise, it is always possible for the bureau contend that the expense is one of the enterprise l should have been reimbursed. In such event, it uld not be deductible by the individual.

Stabilization and Promised Increases

by V. Henry Rothschild, 2nd

N TALKING to you informally, I want to make clear that what I say reflects only my own views ich are not necessarily the views of any other mem- of the Salary Stabilization Board.

As you know, controls will expire on April 30, 1953, ess they are renewed. Whether they will be renewed of course, anybody's guess at this time. There is a possibility that wage and salary controls may suspended, in whole or in part, prior to the date of ir present expiration.

enator Capehart, who is scheduled to be chairman he Banking and Currency Committee, which is in rge of the control bills in the Senate, has announced t his committee will conduct hearings commencing February 1 on the question of continuing price and ge controls.

As a result, business right now is in a state of un- tainty as to what to do with regard to new salary executive compensation arrangements for the com- year. It is unfortunate that this should be the case, e this is the usual period when executive personnel reviewed for the purpose of determining compen- on arrangements that may be made for the next r.

What, then, is the proper course to pursue, in view his uncertainty?

Many companies are faced with the question whether not they can promise compensation payable when trols are removed.

The Office of Salary Stabilization, in a newspaper release, has taken the position that any promise of increased compensation to take effect when controls are removed is a violation of stabilization regulations.

This position is in accord with cases which arose after salary stabilization lapsed after the last war, involving contracts made in violation of stabilization regulations. There are a number of such cases, most of them suits or claims by an employee for increased compensation that he had been promised during stabilization but which did not conform to stabilization requirements. In every case but one, the court held the promise unenforceable and refused to permit the employee to recover.

The one case which upheld the employee's claim was a Massachusetts case where an executive had received a bonus of $5,000 in 1944 and had been promised at that time that in December of 1945 he would receive either $10,000 or a percentage of the profits, whichever was the higher.

The company sought to defend against his claim on the ground that the contract was against the salary stabilization regulations, but the highest court of Massachusetts held that since at the time of the payment the regulations were no longer in force, the payment was legal and could be made.

That is the one case where this question was decided in favor of the employee, and it would be a fine case except for the fact that the Federal Court of Appeals has disapproved it in a very similar situation.

In the situation before the Federal Court, the executive had a contract under which he was supposed to receive, after the war was over, additional compensation equal to the value of his services, which were taken as worth $1,000 a month. He had only been paid $400. He brought suit at the end of 1945, when stabilization controls had been removed, but the court held that he had no claim because the promise of an increase, even though payable after stabilization, was unenforceable.

The effect of these cases upon deferred-compensation contracts can be very important. Let's take an ordinary deferred-compensation agreement, where an executive is promised a certain amount in consideration of advisory and consultative services, the standard form being used today. Let's say the contract was made during the stabilization period. Let us assume that the contract contained a provision, which is often put in, that he can retire at a certain age if he wants to and if he decides to do so he gets paid for advisory services.

Then there is a change in management. He decides he doesn't like the new management. At that point he says, "I am getting out. I want my consultation and advisory contract to go into effect." It is a contract

calling for, say, $20,000 a year. The new management looks at the contract, thinks it involves a lot of money, doesn't like it, goes to its lawyer and says to the lawyer, "Is there any way we can get out of this?"

Mind you, this can happen years from now. The lawyer says: "That contract was made during stabilization. It called for an increase in compensation in the form of a future payment. We may be able to defend on that ground."

There is a second possible situation that can take place. The company makes the payments. There is no change in management and the management likes the contract and wants to honor it. They make the payments for two or three years and then (and this is, say, twenty years from now) the Commissioner of Internal Revenue in Washington sends out a directive to his field agents. The field agents are instructed to look to all payments under deferred-compensation contracts to see whether the contracts were signed during stabilization. The commissioner wants to take the position that such contracts are void under the cases which say that contracts calling for unauthorized increases were illegal when made, and that therefore the payments made under such contracts are illegal and do not constitute proper tax deductions by the company.

A third possibility is this: Let's say the directors pay out the money, and let's assume some stockholder sees this large contract, $20,000 for twenty years, and brings a suit against the directors.

What is the answer? I think the answer is this: Unless and until the Salary Stabilization Board gets out a general regulation on deferred compensation, I think it is very important that in connection with any promise of an increase or payment after stabilization, at the time of retirement or otherwise, the company file an application for approval and make the contract subject to the approval of the Office of Salary Stabilization. In this way, the illegal attribute cannot be said to exist.

Then if stabilization controls are removed before action is taken, I think it would be reasonable to contend that the contract could be put into effect, because of the fact that it was valid at that time.

The Salary Board has not issued a general regulation on deferred compensation because it did not wish to take action in this field which might conflict with Treasury Department rules. The Treasury Department has been in the process of preparing such rules for some time, and since the issuance of Treasury Department rules appeared to be imminent, the Salary Board believed it appropriate to await these rules before issuing its own.

The present thinking of the Salary Board is that where you have a contract, and the compensation provided in that contract is not for past services, then you have something which is not within the scope of salary stabilization regulations. It is in effect a contract for the creation of a future position.

On the other hand, if you have a situation where you agree now to pay a man in the future—five years, two years, three years from now—without any future consideration, there it seems to me you have a situation where you are agreeing to give compensation which is increased compensation, because it represents something of value now. Just as, for example, a promise of a pension is within the scope of stabilization regulations.

The Office of Salary Stabilization has been authorized to process these applications along the general lines I have mentioned to you. I feel it is tremendously important that a company should at this time (because events so distant may be involved) get that protection of getting approval.

We all agree that stabilization controls are repugnant to our system of government and, if they are a difficult thing to administer, I assure you they have been a doubly difficult thing in this field of executive compensation. You have two horns of a dilemma:

One, you have the problem that you must have unlimited incentives for executive compensation to operate properly.

On the other hand, you have the only substantial reason why executive compensation is stabilized at all: that you cannot ask a wage earner to accept stabilization of his wages if he sees his boss has no stabilization attached to his salary.

So you have to steer a course between these two objectives. We have tried to do that.

We have two basic theories under which we operate. One is that we try to use the fund concept. Instead of freezing the compensation of individuals, we take an entire group and say, "You can distribute this fund as you see fit, with certain limitations" (which I do not think are significant) "and within that pattern you can distribute as you see fit."

The other is a ratio differential which allows to executives and others subject to Salary Board jurisdiction the same increases permitted to employees under Wage Board regulations.

The problem has been a very tough one. I can't say that we solved it, but no one can say we didn't do our best to try.